China Golden Classic Group Limited
中國金典集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8281

PLACING

Sponsor

第一上海 FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED 第一上海融資有限公司

Joint Bookrunners and Joint Lead Managers

第一上海 FIRST SHANGHAI GROUP
FIRST SHANGHAI SECURITIES LIMITED 第一上海證券有限公司

首控證券 FIRST CAPITAL SECURITIES LIMITED

IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

China Golden Classic Group Limited
中國金典集團有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	**:**	**250,000,000 Shares**
Placing Price	**:**	**Not more than HK$0.60 per Placing Share and expected to be not less than HK$0.36 per Placing Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) payable in full on application**
Nominal value	**:**	**HK$0.01 each**
Stock code	**:**	**8281**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this Prospectus unless the context otherwise requires.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other documents referred to above.

The Placing Price is expected to be fixed by agreement between First Shanghai Securities (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 5 July 2016 or such later date as may be agreed between First Shanghai Securities (for itself and on behalf of the Underwriters) and our Company. The Placing Price will be not more than HK$0.60 per Placing Share and is currently expected to be not less than HK$0.36 per Placing Share unless otherwise announced.

First Shanghai Securities (for itself and on behalf of the Underwriters) may with the consent of our Company reduce the indicative Placing Price range below that stated in this Prospectus (which is HK$0.36 per Placing Share to HK$0.60 per Placing Share) at any time prior to the Price Determination Date. In such a case, notices of the reduction in the indicative Placing Price range will be published on the website of the Stock Exchange at **www. hkexnews.hk** and our Company's website at **www.goldenclassicbio.com**. If for any reason the Placing Price is not agreed between our Company and First Shanghai Securities (for itself and on behalf of the Underwriters), the Placing will not proceed and will lapse.

Prospective investors should read the entire document carefully and, in particular, should consider the matters discussed in the section headed "Risk Factors" of this Prospectus.

The obligations of the Underwriters under the Underwriting Agreement to subscribe or procure subscribers for the subscription of the Placing Shares, are subject to termination by First Shanghai Securities (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the section headed "Underwriting – Grounds for termination" in this Prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should First Shanghai Securities (for itself and on behalf of the Underwriters) terminate the obligations of the Underwriters under the Underwriting Agreement in accordance with the terms thereof, the Placing will not proceed and will lapse. In such case, an announcement will be made by our Company on the website of the Stock Exchange at **www. hkexnews.hk** and our Company's website at **www.goldenclassicbio.com**.

30 June 2016

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

2016(Note 1)

Price Determination Date(Note 2)	Tuesday, 5 July 2016
Announcement of the determination of the Placing Price and indication of the level of interest in the Placing to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.goldenclassicbio.com** on or before	Thursday, 7 July 2016
Allotment of the Placing Shares to placees on or before	Thursday, 7 July 2016
Deposit of share certificates for the Placing Shares into CCASS on(Notes 3 & 4)	Thursday, 7 July 2016
Dealings in Shares on GEM expected to commence(Note 4)	at 9:00 a.m. on Friday, 8 July 2016

Notes:

(1) All times and dates refer to Hong Kong times and dates, except as otherwise stated.

(2) The Price Determination Date, being the date on which the Placing Price is to be determined, is expected to be on or around Tuesday, 5 July 2016 or such later date as may be agreed between First Shanghai Securities (for itself and on behalf of the Underwriters) and our Company. If First Shanghai Securities (for itself and on behalf of the Underwriters) and our Company are unable to reach any agreement on the Placing Price by that date or such later date as may be agreed between First Shanghai Securities (for itself and on behalf of the Underwriters) and our Company, the Placing will not proceed and will lapse.

(3) The share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited in CCASS on Thursday, 7 July 2016 for credit to the relevant CCASS participants' or CCASS Investor Participants' stock accounts designated by the Underwriters, the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued by the Company.

(4) All share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms prior to 8:00 a.m. (Hong Kong time) on the Listing Date. If the Underwriting Agreement does not become unconditional or is terminated in accordance with the terms and conditions, the Placing will not proceed and we will make an announcement as soon as possible. No dealings in the Placing Shares should take place prior to the Listing Date. Investors who trade the Shares prior to such date shall do so entirely at their own risk.

(5) A separate announcement will be issued if there is any change to the expected timetable.

For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Placing" in this Prospectus. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, we will make an announcement as soon as possible.

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IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Placing Shares offered by this Prospectus pursuant to the Placing.

This Prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

No action has been taken to permit a placing of the Placing Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this Prospectus to make your investment decision. Our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Placing.

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This summary aims to give you an overview of the information contained in this Prospectus and should be read in conjunction with the full text of this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole Prospectus before you decide to invest in the Placing Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this Prospectus.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are summarised in "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OUR BUSINESS

Our Group is a daily household products producer in China with a strategic business focus on the production and sales of functional toothpaste. We principally produce and market the following types of daily household products under various brand names:

- Oral care products: including functional toothpaste, mouthwash, oral spray and toothbrush.
- Leather care products: including leather shoe care products and leather clothing care products.
- Household hygiene products: including surface cleaners, laundry care products, toilet care products and mould proof products.

According to the Industry Report, based on the retail sales values in 2015, we ranked the eighth largest company in the PRC functional toothpaste market[(Note)] having a market share of approximately 3.2% and the third largest company in the PRC leather care products market having a market share of approximately 9.4%. We market our oral care products principally under our "Fe Golden Classic Dentist (fe金典牙醫)" brand, a "Well-known Trademark of Jiangsu Province (江蘇省著名商標)" since 2015, and most of our leather care and household hygiene products under our "Xue Bao (雪豹)" brand, a "Well-known Trademark of China (中國馳名商標)" since 2008. Our other brands include "Larento (老人頭)", "Red Bull (紅牛)" and "Kaili (開利)". We also manufacture daily household products for our OEM customers which in turn market such products under their own brand names or resell them.

Our oral care products segment, which principally comprises of functional toothpaste, experienced rapid growth during the Track Record Period and has become our core business segment. According to the Industry Report, Chinese consumers are becoming increasingly conscious of their oral health which, amongst others, has led to increased demand for functional toothpaste. We first started to manufacture and distribute functional toothpaste with fe enzyme biological technology in 2004. In order to enhance the brand image of our functional toothpaste, we launched the "Fe Golden Classic Dentist (fe金典牙醫)" brand to market our functional toothpaste in 2012. Building on our gained experience in the

Note: According to the Industry Report, based on the retail sales values in 2015, functional toothpaste market accounted for approximately 59.5% of the overall toothpaste market in the PRC.

toothpaste market, we successfully perfected the fe enzyme biological technology in developing functional toothpaste and obtained the patent of biological complex enzyme toothpaste and its preparation method (生物複合酶牙膏及其製備方法) from the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局) in 2012. Our fe enzyme biological technology was accredited as a "National Torch Plan Project (國家級火炬計劃項目)" by the Torch High Technology Industry Development Centre of the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部火炬高技術產業開發中心) in 2004 and 2015 as a recognition of our technology innovation as well as our successful application of such technology into commercial products. In 2015, the fe enzyme biological technology was further accredited as "Achievement of Science and Technology (科學技術成果)" by China High-tech Industrialisation Association (中國高科技產業化研究會). The evaluation committee concluded that, among others, fe enzyme biological technology and its application in oral products is the first of its kind at home and abroad. Our functional toothpaste was tested and passed the clinical validation by various medical institutions, such as the Shanghai Institute of Stomatology (上海市口腔醫學研究所) and the Shanghai Ninth People's Hospital, Shanghai JiaoTong University School of Medicine (上海交通大學醫學院附屬第九人民醫院). It was proven that our functional toothpaste could effectively suppress and prevent various oral problems and is safe for daily use. Our functional toothpaste was also awarded as "High and New Technology Product (高新技術產品)" in 2015 by the Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳).

As at the Latest Practicable Date, we had registered 34 patents in the PRC, which include 10 invention patents and 24 utility model patents. The 10 invention patents registered by us will expire from 13 January 2030 the earliest, and 19 December 2033 the latest, and the 24 utility model patents registered by us will expire from 21 December 2019 the earliest, and 30 August 2025 the latest.

We have enjoyed growth in turnover and profitability from 2013 to 2015. Our turnover were approximately RMB198.5 million, RMB222.3 million and RMB283.1 million for each of the years ended 31 December 2013, 2014 and 2015 respectively. Our net profits were approximately RMB11.0 million, RMB17.1 million and RMB28.2 million for each of the years ended 31 December 2013, 2014 and 2015 respectively.

OUR PRODUCTS

We manufacture and market a wide range of daily household products. Our products comprise three main categories: (i) oral care products; (ii) leather care products; and (iii) household hygiene products. For details of our key products offered in the market, please refer to the section headed "Business – Our Products" in this Prospectus.

The following table sets out the breakdown of our turnover and percentage of turnover by each product category for each of the years ended 31 December 2013, 2014 and 2015 respectively.

	Year ended 31 December					
	2013		2014		2015	
	Amount (RMB'000)	*% of total turnover*	*Amount (RMB'000)*	*% of total turnover*	*Amount (RMB'000)*	*% of total turnover*
Products under our own/licensed brands						
Oral care products	56,224	28.3	80,206	36.1	123,172	43.5
Leather care products	62,548	31.6	54,713	24.5	56,378	19.9
Household hygiene products	55,234	27.8	63,465	28.6	76,867	27.2
Others *(Note)*	2,212	1.1	3,309	1.5	1,697	0.6
Subtotal	176,218	88.8	201,693	90.7	258,114	91.2
OEM products	22,279	11.2	20,575	9.3	24,987	8.8
Total	198,497	100.0	222,268	100.0	283,101	100.0

Note: Others mainly represent industrial hygiene products.

CUSTOMERS, DISTRIBUTION AND SALES NETWORK

We sell products under our own/licensed brands (i) to our distributors which then distribute and sell them to retailers and/or sub-distributors; and (ii) directly to retailers. In addition, we sell products to our OEM customers who market such products under their brand names or resell them.

For each of the years ended 31 December 2013, 2014 and 2015, we derived approximately 79.7%, 80.4% and 80.6% of our turnover from sales to our distributors respectively and approximately 7.6%, 8.6% and 8.9% of our turnover from sales to our retailers respectively. As at the Latest Practicable Date, we had (i) 491 distributors, through which we distribute our products to a broad range of retail stores such as hypermarkets, supermarkets, pharmacies and convenience stores covering 22 provinces, 4 municipalities and 4 autonomous regions in China; and (ii) 5 retailer customers, all of which are hypermarket/supermarket chains in China and offer our products in a total of over 1,000 retail outlets in China. Turnover generated from the sales of our OEM products represented approximately 11.2%, 9.3% and 8.8% of our total turnover for each of the years ended 31 December 2013, 2014 and 2015 respectively.

For each of the years ended 31 December 2013, 2014 and 2015, our turnover contributed by our top 5 customers was approximately RMB38.7 million, RMB37.9 million and RMB46.7 million, respectively, representing approximately 19.5%, 17.1% and 16.5% of our total turnover, respectively.

For the years ended 31 December 2013, 2014 and 2015, our turnover contributed by our largest customer was approximately RMB11.7 million, RMB10.9 million and RMB13.9 million, respectively, representing approximately 5.9%, 4.9% and 4.9% of our total turnover, respectively.

PROCUREMENT AND SUPPLIERS

We procure the following raw materials in the production of each of our product categories: (i) abrasive agent, fe enzyme, essence, emulsifying agent, humectant and sweetening agent for our oral care products; (ii) wax, oil, emulsifying agent, essence, coloring agent and mildew preventive for our leather care products; and (iii) surface active agent, essence, emulsifying agent, chelating agent, preservative and deionised water for our household hygiene products. We also procure packaging materials such as bottles, hoses, cartons, printed materials, tubes, tins and other packaging materials from our suppliers.

During the Track Record Period, we procure our major raw materials and packaging materials from over 190 suppliers in the PRC and we generally do not rely on any single supplier for the supply of our raw materials or packaging materials. During the Track Record Period, we did not experience any difficulties in sourcing any of our raw materials and packaging materials used in our production for each of our product categories.

For each of the years ended 31 December 2013, 2014 and 2015, the aggregate purchases from our 5 largest suppliers amounted to approximately RMB33.1 million, RMB38.8 million and RMB43.1 million respectively, representing approximately 30.4%, 30.6% and 31.0% of our total purchases of raw materials and packaging materials, respectively, and the purchase from our largest supplier of each year amounted to approximately RMB13.5 million, RMB15.1 million and RMB15.6 million, respectively, representing approximately 12.4%, 12.0% and 11.2% of our total purchases of raw materials and packaging materials, respectively.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are based on a combination of the following competitive strengths:

- Established brand names
- Strong research and development capabilities
- Stringent quality and safety control
- Extensive sales network
- Management team with extensive experience and industry knowledge

OUR BUSINESS STRATEGIES

We intend to maintain and strengthen our overall competitiveness and business growth in China and develop our business and continue our growth in overseas market. We intend to achieve this goal by implementation of the following strategies:

- Strengthen the leading position of our brands in the PRC market
- Strengthen our relationship with existing distributors and retailers and expand our sales network
- Expand our production and warehousing capacity
- Strengthen our product research and development capabilities
- Recruit and retain talent

KEY FINANCIAL AND OPERATIONAL DATA

Our key financial data set forth below has been derived from the Accountants' Report set out in Appendix I to this Prospectus and should be read in conjunction with our financial information included in "Appendix I – Accountants' Report" including the accompanying notes and the information set forth in the section headed "Financial Information" of this Prospectus.

Key consolidated statements of profit or loss information

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	198,497	222,268	283,101
Gross profit	79,116	90,496	128,751
Profit for the year	11,041	17,148	28,159
Gross profit margin	39.9%	40.7%	45.5%
Net profit margin	5.6%	7.7%	9.9%

Key consolidated statements of financial position information

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	81,240	126,210	150,322
Current assets	87,395	92,096	93,699
Current liabilities	(101,979)	(134,601)	(133,140)
Net current liabilities	(14,584)	(42,505)	(39,441)
Net assets	66,656	83,705	110,881
Total assets	168,635	218,306	244,021

Key operational data

The following table sets forth the sales volume, average selling price, turnover and gross profit margin of our key products under our own/licensed brands for each of the years ended 31 December 2013, 2014 and 2015.

	Year ended 31 December											
	2013				2014				2015			
Key Products	Sales volume *(ton)*	Average selling price *(RMB'000/ ton)*	Turnover *(RMB'000)*	Gross profit margin *(%)*	Sales volume *(ton)*	Average selling price *(RMB'000/ ton)*	Turnover *(RMB'000)*	Gross profit margin *(%)*	Sales volume *(ton)*	Average selling price *(RMB'000/ ton)*	Turnover *(RMB'000)*	Gross profit margin *(%)*
Functional toothpaste	1,972	28.3	55,771	48.2	2,509	31.6	79,331	49.7	2,758	43.8	120,719	55.3
Surface cleaner	3,412	9.7	33,081	44.1	4,685	10.0	46,803	46.8	6,326	11.6	73,451	45.6
Shoe polish	2,046	28.9	59,057	34.6	1,829	28.7	52,530	31.0	1,664	26.9	44,735	31.9

Sales volume and turnover of our functional toothpaste and surface cleaner products continued to increase from 2013 to 2015 primarily due to increased brand recognition as a result of our continued marketing and promotional efforts and expansion of our retail network. Sales volume and turnover of our shoe polish products decreased in each of the years ended 31 December 2014 and 2015 as compared with the previous years mainly due to the change in our sales focus to other leather care products such as nourishing oil, nourishing cream and cleaner for high-end leather products including leather coat and leather bag.

Average selling prices and gross profit margin of our functional toothpaste products showed an increasing trend from 2013 to 2015, as we sold more high-end products with higher prices and gross margins and increased the selling prices of our toothpaste products in the second half of 2015. Average selling prices of our surface cleaner products also increased in 2014 and 2015 due to the increase in the turnover of our key products, hand grenade detergent (手榴彈油污淨), which had relatively higher price than our other surface cleaner products. However, due to the free gifts attached in order to promote such products, the gross profit margin of our surface cleaner products decreased in 2015. Average selling prices of our shoe polish products slightly decreased in 2014 and 2015 due to the change in sales mix while the gross profit margin slightly increased in 2015 as a result of the drop in the price of wax, being the key raw material of our shoe polish products. For more details of the fluctuations of our turnover and gross profit margin, please refer to the section headed "Financial Information – Year-to-year Comparison of Results of Operations" in this Prospectus.

The following table sets forth our major production facilities as at the Latest Practicable Date and the maximum production capacity, actual production volume and utilisation rate of our oral care products, leather care products and household hygiene products for each of the years ended 31 December 2013, 2014 and 2015.

			Year ended 31 December								
			2013			2014			2015		
Types of products	**No. of emulsifying pot as at the Latest Practicable Date**	**Production line as at the Latest Practicable Date**	**Maximum production capacity** *(Note 3)* *(ton)*	**Actual production volume** *(ton)*	**Utilisation rate** *(Note 2)*	**Maximum production capacity** *(Note 3)* *(ton)*	**Actual production volume** *(ton)*	**Utilisation rate** *(Note 2)*	**Maximum production capacity** *(Note 3)* *(ton)*	**Actual production volume** *(ton)*	**Utilisation rate** *(Note 2)*
Oral care products *(Note 1)*	4	7	2,325	2,325	100.0%	3,720	2,894	77.8%	3,720	3,308	88.9%
Leather care products *(Note 1)*	22	12	5,128	2,140	41.7%	5,128	1,934	37.7%	5,128	1,954	38.1%
Household hygiene products *(Note 1)*	13	18	9,307	6,436	69.2%	9,576	7,469	78.0%	11,750	8,290	70.6%

Notes:

1. The maximum production capacity for oral care products is calculated on the basis that the production is carried out 12 hours per day, 21 days per month and 12 months per year while the maximum production capacities for leather care products and household hygiene products are calculated on the basis that the production is carried out 8 hours per day, 21 days per month and 12 months per year.

2. Utilisation rate is equal to actual production divided by maximum production capacity.

3. The maximum production capacity for each of the years ended 31 December 2013, 2014 and 2015 refers to full year production capacity.

NET CURRENT LIABILITIES

We had net current liabilities of approximately RMB14.6 million, RMB42.5 million and RMB39.4 million as at 31 December 2013, 2014 and 2015, respectively. The increase in our net current liabilities from approximately RMB14.6 million as at 31 December 2013 to approximately RMB42.5 million as at 31 December 2014 was mainly attributable to the construction of the new office building and production facilities of the Group, which was principally financed by the working capital and short term bank borrowing of the Group. As a result, property, plant and equipment of the Group increased from approximately RMB57.8 million as at 31 December 2013 to approximately RMB101.9 million as at 31 December 2014. The decrease in our net current liabilities from approximately RMB42.5 million as at 31 December 2014 to approximately RMB39.4 million as at 31 December 2015 was mainly attributable to the net profit of the Group for the year ended 31 December 2015 of approximately RMB28.2 million, which has been reflected in the increase of property, plant and equipment of approximately RMB23.3 million and the improvement of our net current liabilities by approximately RMB3.1 million. As at 30 April 2016, being the latest practicable date for liquidity disclosure, we had net current liabilities of approximately RMB38.0 million. The decrease in our net current liabilities as at 30 April 2016 as compared to that as at 31 December 2015 was mainly attributable to our profitable results of operations for the four months ended 30 April 2016. To improve our net current liabilities position, we had extended the expiry date of our banking facilities of RMB50.0 million from December 2015 to August 2018 in August 2015 and will continue to fund our working capital requirement from a combination of internally-generated cash flows, proceeds from the Placing and bank borrowings. For further information regarding our net current liabilities position, please see the section headed "Financial Information – Working capital" in this Prospectus.

SELECTED KEY FINANCIAL RATIOS

Key financial ratios

	As at/for the year ended 31 December		
	2013	**2014**	**2015**
Current ratio	0.9	0.7	0.7
Quick ratio	0.6	0.5	0.5
Return on equity	18.1%	22.8%	28.9%
Return on total assets	6.6%	8.9%	12.2%
Gearing ratio	31.7%	31.8%	21.3%
Interest coverage ratio	7.0	14.1	17.1

For detailed information, see the section headed "Financial Information – Major Financial Ratios Analysis" in this Prospectus.

SHAREHOLDERS INFORMATION

Immediately following completion of the Capitalisation Issue and the Placing, ChongBo Mary, which is wholly-owned by Ms. Li, and Tong Xing Holding, which is wholly-owned by Mr. Tong, will hold 63.75% and 11.25% of the issued share capital of our Company respectively. For the purpose of the GEM Listing Rules, Ms. Li and ChongBo Mary are our Controlling Shareholders. ChongBo Mary is an investment holding company and other than holding the Shares, has not commenced any substantive business activities as at the Latest Practicable Date. Each of Ms. Li and ChongBo Mary confirms that she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this Prospectus.

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to the Track Record Period and up to the Latest Practicable Date, we are not aware of any material changes in the overall economic and market conditions in the daily household products industry in China that would otherwise have materially and adversely affected our business operations or financial condition.

With regards to our business, subsequent to the Track Record Period and up to the Latest Practicable Date, we did not experience any material changes in our product mix, sales, production, procurement or research and development model. We expect that our research and development centre, new office building and production workshops will be completed and put into use by the third quarter of 2016. Our Directors believe that it will enhance our production and product development capabilities and further increase our competitiveness.

Our unaudited turnover for the four months ended 30 April 2016 was approximately RMB76.6 million, of which turnover from our oral care products segment amounted to approximately RMB41.2 million, representing approximately 53.8% of our total turnover during the period. Our gross profit margin for the four months ended 30 April 2016 was approximately 50.6%. The higher gross profit margin during the four months ended 30 April 2016 as compared with the year ended 31 December 2015 was primarily due to the increase in gross profit margin of our oral care products segment, which had a gross profit margin of approximately 58.8% for the four months ended 30 April 2016. The increase in gross profit margin of our oral care products was mainly because we negotiated better terms with our suppliers in 2016 which lowered the cost of sales of our oral care products.

With regards to our financial condition, our net current liabilities deceased from approximately RMB39.4 million as at 31 December 2015 to approximately RMB38.0 million as at 30 April 2016. In addition, we have settled the amounts due to our shareholder and related parties using proceeds from a loan from an independent third party. Therefore, we are expected to incur additional interest expenses for the year ending 31 December 2016 as a result of such loan.

The selected financial information disclosed above is prepared by our Directors using the principal accounting policies and methods of computation as those followed in the preparation of the Accountants' Report for the years ended 31 December 2013, 2014 and 2015 and has been reviewed by our reporting accountant.

Our Directors confirm that save as disclosed in the section headed "Financial Information – Listing Expenses" in this prospectus, up to the Latest Practicable Date, there had been no material adverse change in our financial or trading position since 31 December 2015.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we failed to comply with certain PRC applicable laws and regulations, including failure to make social insurance and housing provident fund contributions in full, failure to obtain building ownership certificates for certain properties we own, and failure to file or lay certain documents in accordance with the Predecessor Companies Ordinance. Our Directors consider that such non-compliance incidents did not have and will not have any material operational or financial impact on us and we have adopted or will adopt a number of remedial actions to ensure future compliance. For further information regarding the above non-compliance incidents, please see the section headed "Business – Non-Compliance Incidents" in this Prospectus.

PLACING STATISTICS

The statistics in the following table are based on 1,000,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue.

	Based on the Placing Price of HK$0.36	**Based on the Placing Price of HK$0.60**
Market capitalisation *(HK$ million)*	360	600
Unaudited pro forma adjusted consolidated net tangible asset of our Group attributable to owners of the Company per Share as at 31 December 2015*(Note 1)*		
(RMB)	0.17	0.22
(HK$)	0.20	0.26

Note:

1. The unaudited pro forma adjusted consolidated net tangible asset of our Group attributable to the owners of the Company per Share is calculated after making the adjustments referred to in "Appendix II – Unaudited Pro Forma Financial Information" to this Prospectus and on the basis of a total of 1,000,000,000 Shares expected to be in issue following completion of the Placing and the Capitalisation Issue. The exchange rate for RMB/HK$ is 1.1828.

USE OF PROCEEDS

The net proceeds from the Placing, after deducting listing expenses in connection with the Placing, are estimated to amount to approximately HK$88.1 million (assuming a Placing Price of HK$0.48 per Share, being the mid-point of the indicative Placing Price). We intend to apply such net proceeds of the Placing by 30 June 2018 as follows:

- approximately HK$33.5 million (or approximately 38%) of the net proceeds in expanding our production and warehousing capacity;
- approximately HK$21.2 million (or approximately 24%) of the net proceeds in advertisement and promotional activities;
- approximately HK$18.5 million (or approximately 21%) of the net proceeds in expanding our distribution network;
- approximately HK$7.0 million (or approximately 8%) of the net proceeds in enhancing our research and development capabilities; and
- the remaining amount of approximately HK$7.9 million (or approximately 9%) of the net proceeds as our working capital and other general corporate purposes.

For more details, see the section headed "Statement of Business Objectives and Use of Proceeds" in this Prospectus.

DIVIDEND

Our Group currently has no dividend policy and does not have any pre-determined dividend ratio. We have not declared or paid any dividends during the Track Record Period. Any future declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividend will be subject to the constitutional documents of the Company and the Companies Law. Future dividend payment will also depend on payments made from our PRC subsidiaries. Certain payments from our PRC subsidiaries are subject to PRC taxes, statutory reserve requirements and other legal restrictions. There is no assurance that dividends of any amount will be declared or distributed to the Shareholders in the future.

LISTING EXPENSES

The total amount of listing expenses in connection with the Placing is estimated to be approximately RMB26.9 million (based on the mid-point of the indicative price range for the Placing). Approximately RMB11.5 million of such listing expenses has been charged to the consolidated statements of profit or loss of the Group for or before 31 December 2015. It is estimated that listing expenses of approximately RMB9.2 million will be deducted from our Group's capital after the Listing and the remaining approximately RMB6.2 million will be charged to the profit or loss accounts of the Group for the year ending 31 December 2016. The actual amounts to be recognised to our profit or loss accounts or to be deducted from our Group's capital are subject to adjustments based on audit and changes in variables and assumptions. Our Directors expect that our financial performance for the six months ending 30 June 2016 will be adversely affected by the listing expenses to be charged to our consolidated statements of profit or loss for such period.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Placing. Some of the risks generally associated with our business and industry include the following:

- If we fail to effectively promote our brands, particularly our "Fe Golden Classic Dentist (fe金典牙醫)" brand and "Xue Bao (雪豹)" brand, our business, financial condition and results of operations may be materially and adversely affected.

- We depend on distributors for most of our turnover. Any change in our relationship with the distributors may adversely affect our results of operations and future growth. We also have limited control over our distributors and retailers.

- Any problems with product quality could result in a loss of customers and sales and may subject us to product liability claims, which could result in significant costs or adversely affect our reputation.

- We may not be able to derive the desired benefits from our research and development efforts.

- Our Group relies heavily on our production base in Jiangyin City, Jiangsu Province, the PRC. Any disruption to our Group's production base could materially and adversely affect our business, financial condition and results of operations.

- We depend on our suppliers to supply raw materials and packaging materials to us. Our operation and financial results might be adversely affected if we are not able to secure a stable supply of raw materials and package materials or if there is an increase in the prices of these materials.

- We are required to obtain and maintain various licenses and permits to operate our business and the loss of or failure to renew any of these licenses and permits could adversely affect our business.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this Prospectus and, in particular, should evaluate the specific risks set forth in the section headed "Risk Factors" in this Prospectus in deciding whether to invest in our Shares.

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"AQSIQ"	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
"Articles"	the articles of association of our Company adopted on 17 June 2016 and as amended from time to time, a summary of which is set out in Appendix IV to this Prospectus
"associate(s)"	has the meaning ascribed thereto under Rule 20.06(2) of the GEM Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 749,980,000 Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the section headed "3. Written resolutions of our Shareholders passed on 17 June 2016" under the section headed "Appendix V – Statutory and General Information – A. Further information about our Company" to this Prospectus
"CCASS"	Central Clearing and Settlement System
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局)
"ChongBo Mary"	ChongBo Mary Investment Limited (中寶瑪儷投資有限公司), a company incorporated in the BVI on 29 November 2010 with limited liabilities which is wholly-owned by Ms. Li and is a Controlling Shareholder

"China" or "PRC"	The People's Republic of China excluding, for the purpose of this Prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	China Golden Classic Group Limited（中國金典集團有限公司), formerly known as Golden Classic Biotechnology Group Limited（金典生物科技集團有限公司）and China Golden Classic Oral Care Holdings Limited（中國金典口腔護理控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 29 July 2015
"connected person(s)"	has the meaning ascribed thereto under Rule 20.06(7) of the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules and, in the context of this Prospectus, means Ms. Li and ChongBo Mary
"core connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Deed of Indemnity"	a deed of indemnity dated 17 June 2016 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), under which our Controlling Shareholders have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in the section headed "Statutory and General Information – E. Other Information – 1. Tax and other indemnities" in Appendix V to this Prospectus

"Deeds of Non-competition"	two non-competition deeds both dated 17 June 2016 entered into between our Company (for ourselves and as trustee for and on behalf of our subsidiaries) and each of the Controlling Shareholders
"Director(s)" or "our Director(s)"	the director(s) of our Company
"EIT"	enterprises income tax of the PRC
"EIT Implementation Regulations"	Regulations on the Implementation of the EIT Law (中華人民共和國企業所得税法實施條例)
"EIT Law"	Enterprises Income Tax Law of the PRC (中華人民共和國企業所得税法)
"Euromonitor"	Euromonitor International Limited, a Company which provides market research services and is an Independent Third Party
"FE Golden Classic"	FE Golden Classic Dentists International Limited (艾芙伊牙醫國際有限公司), formerly known as China SL New Hi-Tech Company Limited (中國雪豹高新股份有限公司) and China Golden Classic Biotechnology Limited (中國金典生物有限公司), a company incorporated in Hong Kong on 14 April 2010 with limited liability which is indirectly wholly-owned by the Company
"FIE"	foreign investment enterprise
"First Capital Securities"	First Capital Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO, being one of the Joint Bookrunners and Joint Lead Managers
"First Shanghai Securities"	First Shanghai Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Bookrunners and Joint Lead Managers
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time

"Golden Maxim"	Golden Maxim Limited, a company incorporated in the BVI on 1 July 2015 with limited liability which is directly wholly-owned by the Company
"Group", "our Group", "we", "our" and "us"	our Company and its subsidiaries or any of them or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company, and a "member of our Group" means any of them
"HK dollar(s)" or "HK$"	the Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Indemnifiers"	Ms. Li and ChongBo Mary
"Independent Third Party(ies)"	individual(s) or company(ies) who is/are not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive, or substantial Shareholders, our subsidiaries or any of their respective associates
"Industry Report"	an industry report dated 30 June 2016 prepared by Euromonitor which was commissioned by us in relation to, amongst others, the oral care products, leather care products and household hygiene products markets in the PRC
"JFDA"	Jiangsu Food and Drug Administration (江蘇省食品藥品監督管理局)
"Jiangsu Snow Leopard"	Jiangsu Snow Leopard Daily Chemical Co., Ltd.* (江蘇雪豹日化有限公司), a company established in the PRC on 13 March 2002 with limited liability which is indirectly wholly-owned by the Company

"Jiangsu Snow Leopard First Branch"	Jiangsu Snow Leopard Daily Chemical Co., Ltd. Xuxiake First Branch*（江蘇雪豹日化有限公司徐霞客第一分公司）, a branch office of Jiangsu Snow Leopard established in the PRC on 25 August 2008
"Joint Bookrunners" or "Joint Lead Managers"	First Shanghai Securities and First Capital Securities acting as joint bookrunners and joint lead managers of the Placing
"Larento International (Development)"	Larento International (Development) Co., Limited（老人頭國際(發展)有限公司）, a company incorporated in Hong Kong on 12 August 2015 with limited liability which is indirectly wholly-owned by the Company
"Latest Practicable Date"	20 June 2016, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information referred to in this Prospectus
"Legal Counsel"	Mr. Chan Chung, barrister-at-law of Hong Kong and is an Independent Third Party
"Listing"	the listing of the Shares on GEM
"Listing Date"	the date on which the trading of the Shares first commences on GEM
"Listing Division"	the listing division of the Stock Exchange
"MIIT"	Ministry of Industry and Information Technology of the PRC（中華人民共和國工業和信息化部）
"MoA"	Ministry of Agriculture of the PRC（中華人民共和國農業部）
"MoH"	Ministry of Health of the PRC（中華人民共和國衛生部）, which was integrated into the National Health and Family Planning Commission of the PRC（中華人民共和國國家衛生和計劃生育委員會）in March 2013
"Mr. Tong"	Mr. Tong Xing（童星）, an executive Director and a Substantial Shareholder
"Ms. Li"	Ms. Li Qiuyan（李秋雁）, an executive Director and a Controlling Shareholder
"National Bureau of Statistics"	National Bureau of Statistics of China（中華人民共和國國家統計局）

"NPCSC"	the Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Placing"	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price subject to the terms and conditions as described in the section headed "Structure and Conditions of the Placing" in this Prospectus
"Placing Price"	the final price per Placing Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) which will be not more than HK$0.60 per Placing Share and is expected to be not less than HK$0.36 per Placing Share at which the Placing Shares are to be offered for subscription pursuant to the Placing, to be determined as further described in the section headed "Structure and Conditions of the Placing" of this Prospectus
"Placing Shares"	250,000,000 new Shares being offered at the Placing Price under the Placing subject to the terms and conditions as described in the section headed "Structure and Conditions of the Placing" in this Prospectus
"PRC Legal Advisers"	Beijing DeHeng Law Offices, the legal advisers to the Company as to PRC law and is an Independent Third Party
"Price Determination Agreement"	the agreement to be entered into between the Company and First Shanghai Securities (for itself and on behalf of the Underwriters) on the Price Determination Date to fix and record the Placing Price
"Price Determination Date"	the date, expected to be on or around Tuesday, 5 July 2016, on which the Placing Price is expected to be fixed for the purposes of the Placing
"Predecessor Companies Ordinance"	The Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
"Prospectus"	prospectus issued in connection with the Placing

"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the reorganisation of our Group in preparation for Listing, particulars of which are set out in the section headed "Appendix V – Statutory and General Information – A. Further Information about our Company – 4. Corporate reorganisation" set out to this Prospectus
"SAFE"	State Administration of Foreign Exchange (國家外匯管理局)
"SAFE Circular No. 13"	Circular of the SAFE on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知)
"SAFE Circular No. 37"	Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Round-trip Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知)
"SEPA"	State Environmental Protection Administration of the PRC (中華人民共和國環境保護部)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Snow Leopard"	Shanghai Snow Leopard Daily Chemical Co., Ltd.* (上海雪豹日用化學有限公司), a company established in the PRC on 15 October 1998 with limited liability which is indirectly wholly-owned by the Company
"Shanghai Yaboshi"	Shanghai Yaboshi Daily Products Company Limited* (上海牙博士日用品有限公司), a company established in the PRC on 17 May 2005 with limited liability and dissolved in October 2015. Immediately before its dissolution it was owned as to 50% by Shanghai Snow Leopard

"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 17 June 2016, the principal terms of which are summarised in the section headed "Appendix V – Statutory and General Information – D. Share Option Scheme" to this Prospectus
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"SL Far East"	SL Far East Investments Limited（遠東雪豹投資有限公司）, a company incorporated in the BVI on 9 March 2010 with limited liability which is directly wholly-owned by the Company
"Snow Leopard Technology"	Snow Leopard Technology (Holding Group) Ltd., a company incorporated in the BVI on 5 August 2004 with limited liability which is directly wholly-owned by the Company
"Sponsor"	First Shanghai Capital Limited, a licensed corporation to carry out type 6 (Advising on Corporate Finance) regulated activity under the SFO, being the sponsor to the Placing
"sq.m"	square metre
"State Council"	the State Council of the PRC（中華人民共和國國務院）
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it in the GEM Listing Rules and details of our Substantial Shareholders are set out in the section headed "Substantial Shareholders" in this Prospectus
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time

"Tong Xing Holding"	Tong Xing Holding Group Limited (童星控股集團有限公司), a company incorporated in the BVI on 23 December 2010 with limited liability which is wholly-owned by Mr. Tong and is a Substantial Shareholder
"Track Record Period"	the years ended 31 December 2014 and 2015
"US dollars" or "US$"	the United States dollar(s), the lawful currency of the United States of America
"Underwriters"	the underwriters of the Placing named in the section headed "Underwriting – Underwriters" in this Prospectus
"Underwriting Agreement"	the conditional underwriting agreement dated 29 June 2016 made between our Company, our Controlling Shareholders, the Sponsor, the Joint Lead Managers and the Underwriters relating to the Placing, brief particulars of which are summarised in the section headed "Underwriting" in this Prospectus
"%"	per cent

The English names of PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and title etc. mentioned in this Prospectus are translations from their Chinese names and are for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

* *for identification only*

The glossary of technical terms contains explanations and definitions of certain terms used in this Prospectus in connection with us and our business. The terms and their meaning may not correspond to the standard industry meanings or usage of these terms.

"enzyme"	a substance, produced by all living things, which helps a chemical change happen or happen more quickly, without being changed itself
"fe enzyme"	a mixture of substances, including amino acid and certain different types of enzyme, which has the function of amongst others, bacteriolysis, antiphlogosis, detumescence, pain relief and tissue repairing
"functional toothpaste"	toothpaste with addition of functional components and has the function of preventing or alleviating certain dental problems and promoting dental health in addition to the basic functions of ordinary toothpaste, such as cleaning oral cavity, alleviating tooth stain, reducing dental calculus, whitening teeth, reducing dental plaque, freshening breath, and mouthfeel, and maintaining health of teeth and periodontium (including gingiva), and manufactured in accordance with QB2966 standard
"GDP"	gross domestic product
"ISO"	the International Organisation for Standardisation, a worldwide federation of national standards bodies, and the standards maintained by it
"OEM"	original equipment manufacturer, a term used to describe the situation whereby products are manufactured in accordance with a customer's specifications for sale under the customer's brand
"QB2966 standard"	"QB2966 Standard of functional toothpaste" (功效型牙膏標準), a standard issued by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), which sets out functional toothpaste's terminology, definitions, requirements and test methods (published in 2008 and amended in 2014)

Our Company has included in this Prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future events. These forward-looking statements are contained principally in the sections headed "Summary and Highlights", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" and other similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group's business strategies and plan of operation;
- our Group's capital expenditure plans and capital resources;
- the amount and nature of, potential for, future development of our Group's business;
- our Group's operation and business prospects;
- our Group's dividend policy;
- the regulatory environment of our industry in general;
- the future development in our industry; and
- other statements in this Prospectus that are not historical facts.

Our Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our Company's control. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed "Risk Factors" in this Prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our Company's control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to these cautionary statements.

You should consider carefully all the information set out in this Prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be materially and adversely affected by any of the risks stated below. The trading prices of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

If we fail to effectively promote our brands, particularly our "Fe Golden Classic Dentist (fe金典牙醫)" brand and "Xue Bao (雪豹)" brand, our business, financial condition and results of operations may be materially and adversely affected.

We believe that brand image plays an important role in influencing consumers' decision in purchasing our products. Our brands, particularly our "Fe Golden Classic Dentist (fe金典牙醫)" brand and "Xue Bao (雪豹)" brand from which we derived a majority of our turnover during the Track Record Period, are critical to the success of our business. Our business and market position largely depend on our ability to successfully promote our brands, particularly our "Fe Golden Classic Dentist (fe金典牙醫)" brand and "Xue Bao (雪豹)" brand, and our ability to continue to develop and sell new products under our brands.

We cannot give assurance that our marketing and promotional activities will remain effective. If we fail to successfully market or promote our brands, our brand recognition may be materially and adversely affected and the demand for our products may decline or fail to increase as we expected. If our brands are tarnished in any manner, we may lose our competitive advantage and our business, financial condition and results of operations may be materially and adversely affected.

We depend on distributors for most of our turnover. Any change in our relationship with the distributors may adversely affect our results of operations and future growth. We also have limited control over our distributors and retailers.

We currently do not own or operate any retail outlets and we mainly sell our products through distributors. Our Directors believe that the distributorship business model enables us to gain access to retail outlets through the business relationships of our distributors, especially in new markets where we do not have an established presence. For each of the years ended 31 December 2013, 2014 and 2015, we generated 79.7%, 80.4% and 80.6% of our turnover from sales to our distributors. As at the Latest Practicable Date, we had 491 distributors. We generally enter into distribution agreements of one-year term with our distributors.

There is no assurance that we will be able to renew the distribution agreements with our distributors at favourable terms or at all. Due to the large number of distributors, it is difficult for us to monitor our distributors to ensure their effective distribution of our products to the retailers according to our sales strategies. We plan to expand our distribution network to further increase the penetration of our products across the PRC. There is also no assurance that we will be able to identify suitable distributors for our business expansion. If we are not able to renew the distribution agreements with our major distributors as they

expire, effectively manage our distributors to sell our products in accordance with our sales strategies or identify and engage new distributors to expand our distribution network, our business, results of operations and future growth might be adversely affected.

We require our retailers, and our distributors to procure their customers to, sell our products at our specified retail prices. However, there can be no assurance that the retailers will follow our specified prices. If the pricing systems of our products are not maintained at a satisfactory level, the retail sales of our products and our turnover and/or profitability might be adversely affected. Further, we cannot assure you that our distributors will comply with all relevant laws and regulations applicable to their operations. We also cannot assure you that they have or will have sufficient resources to deal with unexpected changes in the regulatory, economic or business environment or other factors.

We had net current liabilities as at 31 December 2013, 2014 and 2015 and we may be unable to obtain financing to meet our funding requirements.

As at 31 December 2013, 2014 and 2015, our Group had net current liabilities of approximately RMB14.6 million, RMB42.5 million and RMB39.4 million respectively. As at 31 December 2013, 2014 and 2015, the Group's current liabilities primarily comprised of trade and other payables of approximately RMB55.6 million, RMB79.1 million and RMB86.0 million respectively, banking borrowings of RMB31.0 million, RMB39.0 million and RMB30.0 million respectively and amounts due to related parties of approximately RMB12.3 million, RMB12.4 million and RMB13.0 million respectively. The increase in our net current liabilities from 31 December 2013 to 31 December 2014 was mainly attributable to the construction of the new office building and production facilities of the Group, which was principally financed by the working capital and short term bank borrowing of the Group. As a result, property, plant and equipment of the Group increased from approximately RMB57.8 million as at 31 December 2013 to approximately RMB101.9 million as at 31 December 2014. The decrease in our net current liabilities from approximately RMB42.5 million as at 31 December 2014 to approximately RMB39.4 million as at 31 December 2015 was mainly attributable to the net profit of the Group for the year ended 31 December 2015 of approximately RMB28.2 million, which has been reflected in the increase of property, plant and equipment of approximately RMB23.3 million and the improvement of our net current liabilities by approximately RMB3.1 million. As at 30 April 2016, being the latest practicable date for liquidity disclosure, we had net current liabilities of approximately RMB38.0 million.

We cannot assure you that we will be able to obtain bank loans or renew existing facilities in the future on favourable terms or at all. We also cannot give assurance that we will not be affected by the fluctuation in the interest rates on external financing secured or to be secured to fund our operations and planned expansion. If adequate funding is not available to us on favourable terms, or at all, we may not be able to fund our existing operations, develop or expand our business, and therefore our business, financial conditions and results of operations in turn may be materially and adversely affected.

Our interest expenses may increase as we cease to obtain interest-free advances from our shareholder and related-parties.

As of 31 December 2013, 2014 and 2015, we had amounts due to a shareholder and related parties in aggregate of approximately RMB13.9 million, RMB14.0 million and RMB15.0 million, respectively. All such balances have been settled before Listing using proceeds from a loan from an independent third party. Therefore, our Group is expected to incur additional interest expenses for the year ending 31 December 2016 as a result of such loan. Moreover, as we cease to obtain interest-free borrowings from our shareholder and related parties, our interest expenses may increase in the future since we may need to obtain more interest-bearing bank loans in the future to finance our operations and expansion plans.

Any problems with product quality could result in a loss of customers and sales and may subject us to product liability claims, which could result in significant costs or adversely affect our reputation.

The success of our Group's business depends on our ability to consistently deliver products with high quality and reliability. If the quality of any of our products deteriorates for any reason, our Group may be faced with returns or cancellations of orders and customer complaints. Further, complaints, negative publicity, rumours and media coverage resulting from perceived product quality issues could result in decreased sales of our products and may have an adverse impact on our reputation.

Moreover, as our Group's products contain chemical substances, any defects or improper performance of our products may directly or indirectly result in harm to the environment and human health, safety and daily lives. If there is any property damage or personal injury resulted from any defects or improper performance of our products, our Group may be subject to product liability claims. The costs and resources required to defend such claims may be substantial and, if such claims are successful, our Group could be liable to paying some or all of the costs and/or damages awarded to the claimants. Further, our Group has not maintained any product liability insurance coverage for our products. Accordingly, any problems with our product quality may have a material and adverse effect on our Group's reputation, profitability and future growth.

We may not be able to derive the desired benefits from our research and development efforts.

Our competitive strengths include, amongst others, our experience and strong research and development capabilities. We place significant emphasis on research and development, in particular, to improve our products, which we believe is one of the crucial factors for our future growth and prospects. However, it is often difficult to project the timeline for developing new products and the duration of market demand for such products. There is a substantial risk that we may have to abandon a potential product that can no longer cater for our customers' needs, even after we have invested significant resources in the research and development of such product. We cannot assure you that our future research and development projects will be successful, or that our newly developed products will achieve commercial success.

We also cannot assure you that our existing or potential competitors will not develop products which are similar or superior to our existing products.

Our Group relies heavily on our production base in Jiangyin City, Jiangsu Province, the PRC. Any disruption to our Group's production base could materially and adversely affect our business, financial condition and results of operations.

Our Group currently manufactures our products at our Group's production base located at No.34 – 35 Qiao Qi Ying Bin Avenue, Xiake Town (also known as Xuxiake Town), Jiangyin City, Jiangsu Province, the PRC, which comprises production workshops, warehouses, office buildings and other ancillary buildings. Our Group relies heavily on such production base. For each of the years ended 31 December 2013, 2014 and 2015, turnover from products that were manufactured at the said production base accounted for approximately 97.8%, 98.1% and 96.9% of the total turnover of our Group respectively.

Natural or other disasters, such as floods, fires, earthquakes and typhoons, may cause significant damage to our production base, which could be costly and time-consuming to reinstate and could cause significant disruptions to our operations. Our Group may incur additional costs and may experience a disruption in the supply of products until appropriate production facilities become available and operational. Any disruption or delay in our production could have an adverse impact on our ability to produce sufficient amount of products, which could in turn impair our ability to meet the needs of our customers. In such cases, our business, financial condition and results of operations could be materially and adversely affected.

We depend on our suppliers to supply raw materials and packaging materials to us. Our operation and financial results might be adversely affected if we are not able to secure a stable supply of raw materials and packaging materials or if there is an increase in the prices of these materials.

We depend on our suppliers to supply raw materials and packaging materials for the production of our products. If there is any shortage or delay in supplying these materials and we are not able to source these materials from alternative suppliers in a short period of time, it may cause disruption and delay to our production and therefore adversely affect our ability to timely fulfill our customers' needs.

Costs of raw materials, packaging materials and other materials combined accounted for approximately 89.1%, 89.0% and 89.5% of our total cost of sales for each of the years ended 31 December 2013, 2014 and 2015. If we experience any significant increase in the prices of our raw materials or packaging materials, we may not be able to pass all or any of such increased costs to our customers and our results of operations and financial condition may be adversely affected.

We are subject to certain risks in relation to the transportation of our supply of products which may materially and adversely affect our business.

We rely on third-party transport operators to deliver our products to our customers on a timely manner. Factors beyond our control such as natural disasters, pandemics, adverse weather conditions, riots, labour strikes, mishandling of products, or problems with the third-party transport operators delivering the goods may adversely affect the quality of our goods and/or the transportation and communication systems that we rely on in our business. There is no assurance that our third-party transport operators can deliver the products timely to our customers. As a result, our business, competitiveness and reputation will be materially and adversely affected.

Legal protection over our intellectual property rights is subject to finite duration.

We regard intellectual properties, especially our patents, critical to our success. We seek to protect our intellectual property rights by registering them with the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局). Despite of that, pursuant to the Patent Law of the PRC, the legal protection over registered invention patents and utility model patents have a finite duration of 20 years and 10 years respectively, after which the underlying techniques of the patents will become publicly available. For example, our key patent in relation to the manufacturing of our functional toothpaste – biological complex enzyme toothpaste and preparation method thereof (生物複合酶牙膏及其製備方法), will expire on 13 January 2030. The other 9 invention patents registered by us will expire from 1 March 2031 the earliest, and 19 December 2033 the latest, and the 24 utility model patents registered by us will expire from 21 December 2019 the earliest, and 30 August 2025 the latest. If we are unsuccessful in developing new techniques and our patents expire, other manufacturers may produce similar products using the underlying techniques in relation to our expired patents and compete with our products, and our business and profitability may be adversely affected.

Our brands and products may be subject to counterfeiting, imitation and/or infringement of intellectual property rights by third parties.

We rely on intellectual property laws in the PRC and in Hong Kong to protect our trademarks, patents and other intellectual property rights. Our products have been subject to counterfeiting and imitation from time to time. Although we have successfully detected and taken actions in cooperation with the relevant PRC authorities in several counterfeiting cases, we cannot assure that counterfeiting or imitation of our products will not occur in the future, or, if it occurs, that we will be able to effectively detect or address the problem in a timely manner. Any occurrence of counterfeiting or imitation of our products or other infringement of our intellectual property rights could negatively affect our reputation and brand image, which will lead to loss of consumer confidence in our brands and in turn adversely affect our results of operations. In addition, any litigation to prosecute infringements of our intellectual property rights and products will be expensive and will divert the management's attention as well as other resources away from our business. As a result, such litigation may have a material adverse effect on our business, financial condition and results of operations.

We may not have adequate insurance coverage.

We have maintained insurance coverage for various aspects of risks in relation to our operations. However, we do not carry any insurance policies against third party liability claims or disruptions to business operations. As at the Latest Practicable Date, there has been no past occurrence of third party liability claims or disruptions to our business operations. Should any major claims in these regards be made on us which are not covered by adequate insurance, our business and financial performance may be materially and adversely affected.

We were not in full compliance with the applicable PRC laws and regulations and the Predecessor Companies Ordinance during the Track Record Period.

We were not in full compliance with the applicable PRC laws and regulations and the Predecessor Companies Ordinance during the Track Record Period. The non-compliance incidents include failure to make social insurance and house provident fund contributions in full, failure to obtain building ownership certificates for certain properties we own and late filing of certain information and failure to lay the financial statements before the annual general meeting in accordance with the Predecessor Companies Ordinance. We also own certain properties on a leased land, the lessor of which did not obtain the title document of the land. For more information, please refer to the paragraphs headed "Business – Non-compliance Incidents" and "Business – Properties" in this Prospectus. Any administrative order or penalty against us in respect of the non-compliance incidents or inability to continue to occupy the properties on the leased land could have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The daily household product industry is highly competitive, which may affect our market share and profit margins.

The daily household product industry is highly competitive and is characterised by consumer focus on quality and functions and frequent introduction of new products. We face strong competition from our existing competitors as well as new entrants, including international and domestic manufacturers of daily household products, to this industry. Some of these manufacturers are large-scale multinational conglomerates with ample business resources, financial resources and/or proven experience in developing and marketing daily household products. We compete on the basis of our ability to tailor our products toward consumer preferences, brand awareness, as well as pricing. However, some of our competitors have stronger brand image, marketing channel, and research and development resources than we have. A number of companies currently not competing directly with us may possess the capability to produce the types of products we produce and we cannot give assurance that they will not compete with us in the future. If we are unable to maintain a competitive advantage and compete successfully against our competitors and any new entrant to this industry in the future, our business, financial condition and results of operations will be materially and adversely affected.

We are required to obtain and maintain various licenses and permits to operate our business and the loss of or failure to renew any of these licenses and permits could adversely affect our business.

In accordance with the PRC laws and regulations, we are required to obtain and maintain various licenses and permits, including Production Licenses for Industrial Products (全國工業產品生產許可證), Certificate for Pesticide Registration (農藥登記證), Certificate for Manufacture of Pesticide (農藥生產批准證書), Hygiene License for the Production Enterprise of Cosmetics (化妝品生產企業衛生許可證) and Certificate of Membership of China Bar Code for Commodity System (中國商品條碼系統成員證書), for production of our different products. We are required to comply with applicable hygiene quality standard and production safety standards in relation to our production processes. Our products are subject to regular and random inspections in order to comply with the rules and regulations of the relevant hygiene authority and quality and technology supervision administration. Failure to pass these inspections and to comply with the licensing or other regulatory requirements may lead to termination of production and sale of our products, confiscation of income generated therein, withdrawal of business license, or potentially criminal liabilities, which will materially and adversely affect our operations, financial conditions and business.

Changes in the existing PRC laws and regulations may cause us to incur additional costs to comply with more stringent rules, which could adversely affect our business growth and development.

In order to strengthen the regulation on cosmetic products, CFDA issued the Regulation on Supervision and Administration of Cosmetics (draft for consultation) (化妝品監督管理條例(徵求意見稿)) on 8 November 2014 and certain subsidiary guidelines subsequently. On 20 July 2015, the Legislative Affairs Office of the State Council of the PRC (國務院法制辦公室) started to solicit public comments on the Regulation on Supervision and Administration of Cosmetics (Revised draft for review) (化妝品監督管理條例(修訂草案送審稿)) submitted by CFDA (altogether, the "**Proposed Regulations**"). As advised by our PRC Legal Advisers, pursuant to the Proposed Regulations, toothpaste will be formally categorised as cosmetic product and therefore subject to new and more stringent rules. The key changes of the Proposed Regulations include rules on raw materials used in cosmetic products, safety evaluation and efficacy claim relating to cosmetic products, as well as internal control and reporting requirements for manufacturers. As at the Latest Practicable Date, the Proposed Regulations have not been officially in effect yet, and it is currently uncertain as to what extent the changes in the Proposed Regulations may affect our toothpaste products. Although, as advised by our PRC Legal Advisers, our Group is already in compliance with the legal requirements as stated in the Proposed Regulations in their current forms, we may incur additional costs or increase manpower to comply with new and more stringent rules if the requirement and contents of the final versions of the Proposed Regulations are different from their current forms. If we fail to comply with the Proposed Regulations when they come into effect, as advised by our PRC Legal Advisers, it may result in administrative sanctions, fine, order to pay compensation, cancellation of production permit or criminal prosecution, and our manufacturing and development activities may be adversely affected.

Further, we cannot give assurance that our governing authorities in China including but not limited to the Jiangsu Provincial Administration of Quality and Technology Supervision (江蘇省質量技術監督局), MoA, MIIT and CFDA will not introduce new regulations to impose more stringent production requirements which may adversely affect our production and business operation activities.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the PRC's political, economic and governmental policies may have an adverse impact on our operations.

We conduct substantially all of our business in China and plan to continue expanding our business into new geographic areas in China. Substantially all of our assets are currently situated in the PRC and most of our turnover is generated from products manufactured and sold in China. Accordingly, our business, financial condition and results of operations are subject to political, economic and legal developments in China to a significant degree. China's economy differs from the economies of most developed countries in many aspects, including the extent of government involvement, growth rate, control of foreign exchange, allocation of resources and capital investment. We cannot assure you that there will not be any unfavourable changes in the PRC's political, economic and governmental policies and measures that could impact the industries in which we operate, which could in turn diminish the demand for our products.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations.

The PRC legal system is based on statutory laws. Under this system, prior court decisions may be cited as persuasive authority but do not have binding precedential effect. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, property title, foreign investment, commerce, taxation and trade. As these laws, regulations and legal requirements are relatively new and evolving, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involves some uncertainty. Such uncertainties may lead to difficulties in enforcing our rights and in resolving disputes with any persons, and could result in unanticipated costs and liabilities.

Fluctuation in the currency exchange rate of RMB.

Our turnover and expenses have been and are expected to continue to be primarily denominated in RMB and we are exposed to the risks associated with the fluctuation in the currency exchange rate of RMB. Should RMB appreciate against other currencies, the value of the proceeds from the Placing and any future financings, which are to be converted from HK dollar or other currencies into RMB, would be reduced and might accordingly hinder the business development of the Group due to the lessened amount of funds raised. On the other hand, in the event of the devaluation of RMB, the dividend payments of the Company, which are to be paid in HK dollars after the conversion of the distributable profit

denominated in RMB, would be reduced. Furthermore, the devaluation of RMB would also increase the costs of the Group to import overseas equipment and machinery for the enhancement of its operations. Hence, substantial fluctuation in the currency exchange rate of RMB may have a material adverse effect on the business, operations and financial position of the Group and the value of your investment in the Shares.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under the PRC tax laws.

Under the EIT Law and the EIT Implementation Regulations, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (which do not have an establishment or place of business in China, or have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within China. Similarly, any gain realised on the transfer of the shares of a PRC enterprise by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. If we are considered a PRC "resident enterprise", it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within China and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment or return on your investment in our Shares may be materially adversely affected.

Our Company is a holding company and our ability to pay dividends is primarily dependent upon the earnings of, and distributions by, our subsidiaries in the PRC.

Our Company is a holding company incorporated under the laws of the Cayman Islands with limited liability. No dividends have been paid or declared by our Company. The majority of our business operations are conducted through our subsidiaries in the PRC and hence, our turnover and profit are substantially contributed by our subsidiaries in the PRC.

Our ability to pay dividends to our Shareholders is primarily dependent upon the earnings of our subsidiaries in the PRC and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries in the PRC to make distributions to us depends upon, amongst others, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and our subsidiaries in the PRC are also required to set aside part of its after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in our PRC subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries in the PRC, which in turn would restrict our ability to pay dividends on the Shares. The amounts of distributions that any of the subsidiaries of our Group has declared and made in the past are not indicative of the dividends that we may pay in the future. There is no assurance that we will be able to declare or distribute any dividend in the future.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our officers.

Our Company was incorporated under the laws of the Cayman Islands and a substantial part of our businesses, assets and operations are located in China. In addition, most of our Directors and officers are residents of the PRC, and the majority or all of their assets may also be located in China. As a result, it may not be possible to effect service of legal process upon us or our Directors and officers in China.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the United States, the United Kingdom, Japan and most other western countries. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. Therefore, it may be difficult for you to enforce against us and our Directors and officers in China any judgments obtained from non-PRC courts.

Although we will be subject to the GEM Listing Rules and the Takeovers Code upon Listing, our Shareholders will not be able to bring actions on the basis of violation of the GEM Listing Rules or the Takeovers Code, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange and SFC to enforce their rules.

Epidemics, acts of war and other disasters may adversely affect our operations.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond human control may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Many major cities in the PRC are under threat of flood, earthquake, typhoon, sandstorm or drought. Our business, results of operations and financial condition may be adversely affected if such natural disasters occur. We may be required to disinfect our affected operational premises, which could adversely affect our operations. Even if we are not directly affected by the epidemic, it could slow down or disrupt the level of economic activity generally, which could in turn adversely affect our operating results.

In addition, acts of war and terrorist attacks may cause damage or disruption to our operations, employees, markets or clients, any of which could adversely impact our turnover, cost of sales, overall results and financial condition or the market price of the Shares. Potential war or terrorist attacks may also cause uncertainty and cause the business to suffer in ways that we cannot currently predict.

RISKS RELATING TO THE PLACING

Termination of the Underwriting Agreement.

Prospective investors of the Placing Shares should note that the Sponsor and/or First Shanghai Securities (for itself and on behalf of the Underwriters) may, in its/their absolute discretion, terminate the Underwriting Agreement by giving notice in writing to our Company upon the occurrence of any of the events stated in the section headed "Underwriting Arrangements and Expenses – Grounds for termination" in this Prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

Marketability and possible price and trading volume volatility of the Shares.

The Listing is by way of the Placing and the Shares have not been listed or allotted on any stock exchange or open market before completion of the Placing. There is no assurance that there will be an active trading market of the Shares on GEM upon Listing. In addition, the market price of the Shares to be traded on the GEM may differ from the Placing Price and investors should not treat the Placing Price as an indicator of the market price of the Shares to be traded on GEM.

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the income, profit, and cash flow of our Group, new products, services and/or investments of our Group, changes of senior management of our Group, and general economic conditions. There is no assurance that such factors will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares.

Dilution of the Shareholders' equity interests.

One of the benefits to our Company upon Listing is the access to capital market and our Group may raise additional funds to finance future expansion of its business or operations or acquisitions. The Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of the Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by way of issue of new equity or equity-linked securities of our Company and such fund-raising exercises may not be conducted on a pro-rata basis to existing Shareholders. As such, the shareholding of the then Shareholders may be reduced or diluted.

Certain statistics and facts in this Prospectus have not been independently verified.

This Prospectus includes certain statistics and facts that have been extracted from governmental official sources and publications or other sources including, but not limited to, Euromonitor. Our Directors believe that the sources of these statistics and facts are appropriate sources for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. Our Directors have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not been independently verified by our Company, the Sponsor, the Joint Lead Managers, the Underwriters or any other party involved in the Placing and no representation is given as to their accuracy.

Forward-looking statements contained in this Prospectus may prove inaccurate and therefore investors should not place undue reliance on such information.

This Prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of the Directors. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements.

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the section headed "3.6 Protection of minorities and shareholders' suits" in Appendix IV to this Prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

INFORMATION ON THE PLACING

The Placing Shares are offered solely on the basis of the information contained and the representations made in this Prospectus. So far as the Placing is concerned, no person is authorised to give any information or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Placing.

PLACING SHARES ARE FULLY UNDERWRITTEN

This Prospectus is published solely in connection with the Placing and the Listing, which is solely sponsored by the Sponsor and managed by the Joint Lead Managers. The Placing Shares are fully underwritten by the Underwriters under the terms of the Underwriting Agreement and are subject to the Placing Price being fixed pursuant to the Price Determination Agreement. For further information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this Prospectus.

RESTRICTIONS ON OFFER AND SALE OF PLACING SHARES

Each person acquiring the Placing Shares under the Placing will be required to, or be deemed by his/her acquisition of Placing Shares to, confirm that he/she is aware of the restrictions on offers of the Placing Shares described in this Prospectus.

No action has been taken to permit the offering of the Placing Shares in any jurisdiction other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this Prospectus and the offering and sale of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

APPLICATION FOR LISTING ON GEM

Our Company has applied to the Listing Division for the listing of, and permission to deal in, our Shares in issue and which are to be issued pursuant to the Placing, the Capitalisation Issue and as otherwise described herein on GEM.

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

A total of 250,000,000 Shares, representing 25% of the enlarged issued share capital of our Company immediately following completion of the Placing and the Capitalisation Issue (without taking into account of any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be made available under the Placing.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if permission for the Shares offered under this Prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this Prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Joint Lead Managers, the Underwriters, their respective directors or any other person involved in the Placing accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

HONG KONG SHARE REGISTER AND STAMP DUTY

All the Placing Shares will be registered on the branch register of members of our Company in Hong Kong. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and Conditions of the Placing" in this Prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Friday, 8 July 2016. Shares will be traded in board lot of 8,000 Shares each.

LANGUAGE

If there is any inconsistency between the English version of this Prospectus and the Chinese translation of this Prospectus, the English version of this Prospectus shall prevail.

If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this Prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

In this Prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Unless the context requires otherwise, translation of HK$ and RMB is made in this Prospectus, for illustration purpose only, at the exchange rate of RMB1.00 to HK$1.1828. No representation is made that any amount in HK$ or RMB could have been or could be converted at the above rates or at any other rates or at all.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Ms. Li Qiuyan（李秋雁）	Room 1901 No. 18 Qingguo Road Jiangyin City Jiangsu Province PRC	Chinese
Mr. Tong Xing（童星）	Room 102, Block 15 Donghai Garden Jiangyin City Jiangsu Province PRC	Chinese
Ms. Du Yongwei（杜永衛）	Room 1101 No. 58-1 Huanchengdong Road Jiangyin City Jiangsu Province PRC	Chinese
Independent non-executive Directors		
Mr. Ye Jingzhong（葉敬仲）	Room 1102, Block 5 No. 69 Quyang Road Hongkou District Shanghai PRC	Chinese
Mr. Qian Zaiyang（錢在揚）	Room 3005 No. 42 Jinse Jiayuan New District, Wuxi Jiangsu Province PRC	Chinese
Mr. Tang Wai Yau（鄧維祐）	Flat 5H, Block 9 Chi Fu Fa Yuen Po Fu Lam Hong Kong	Chinese

Please refer to the section headed "Directors, Senior Management and Staff" in this Prospectus for further details.

PARTIES INVOLVED

Sponsor	**First Shanghai Capital Limited** 19/F, Wing On House 71 Des Voeux Road Central Hong Kong *(A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO)*
Joint Bookrunners, Joint Lead Managers and Underwriters	**First Shanghai Securities Limited** 19/F, Wing On House 71 Des Voeux Road Central Hong Kong *(A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)* **First Capital Securities Limited** Unit 4512, 45/F., The Center, 99 Queen's Road Central, Hong Kong *(A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO)*
Legal advisers to our Company	*As to Hong Kong Law* **Loong & Yeung** Room 1603, 16/F China Building 29 Queen's Road Central Hong Kong *(Solicitors of Hong Kong)* *As to PRC Law* **Beijing DeHeng Law Offices** 12/F, Tower B Focus Place No. 19 Finance Street Xicheng District, Beijing PRC *(Registered law firm in the PRC)* *As to Cayman Islands Law* **Appleby** 2206-19 Jardine House 1 Connaught Place Central Hong Kong *(Cayman Islands attorneys-at-law)*

Legal advisers to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters	*As to Hong Kong Law* **King & Wood Mallesons (Hong Kong)** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *(Solicitors of Hong Kong)* *As to PRC Law* **King & Wood Mallesons (Shanghai)** 17th Floor, One ICC Shanghai International Commerce Center 999 Middle Huai Hai Road Xuhui District, Shanghai PRC *(Registered law firm in the PRC)*
Auditors and reporting accountant	**SHINEWING (HK) CPA Limited** 43/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong *(Certified Public Accountants)*
Property valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong *(Chartered surveyor firm)*

Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Head office in the PRC	East Side of Dongmen Overpass Jiangyin City Jiangsu Province PRC
Principal place of business in Hong Kong	Flat B, 19/F Times Media Centre 133 Wan Chai Road Wan Chai Hong Kong
Company secretary	Mr. Lau Shun Pong Johnson（劉信邦） *FCPA, CPA (Aust.)* 48F, Tower 6, Banyan Garden 863 Lai Chi Kok Road Kowloon, Hong Kong
Authorised representatives	Ms. Du Yongwei（杜永衛） Room 1101 No. 58-1 Huanchengdong Road Jiangyin City Jiangsu Province PRC Mr. Lau Shun Pong Johnson（劉信邦） *FCPA, CPA (Aust.)* 48F, Tower 6, Banyan Garden 863 Lai Chi Kok Road Kowloon, Hong Kong
Audit Committee	Mr. Tang Wai Yau（鄧維祐）*(Chairman)* Mr. Ye Jingzhong（葉敬仲） Mr. Qian Zaiyang（錢在揚）
Remuneration Committee	Mr. Ye Jingzhong（葉敬仲）*(Chairman)* Mr. Qian Zaiyang（錢在揚） Ms. Li Qiuyan（李秋雁）
Nomination Committee	Ms. Li Qiuyan（李秋雁）*(Chairman)* Mr. Ye Jingzhong（葉敬仲） Mr. Qian Zaiyang（錢在揚）

Compliance adviser	**First Shanghai Capital Limited** 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
Compliance officer	Ms. Li Qiuyan（李秋雁）
Cayman Islands principal share registrar and transfer office	**Estera Trust (Cayman) Limited** PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bank	**Jiangyin Rural Commercial Bank Co., Limited** Yaosai Sub-branch No. 251, Renmin East Road Jiangyin City Jiangsu Province China
Company's website	**www.goldenclassicbio.com** *(information contained on this website does not form part of this Prospectus)*

The information that appears in this Industry Overview has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Group. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this Industry Overview has not been independently verified by our Group, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, any other party involved in the Placing and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCES OF INFORMATION

Euromonitor

Euromonitor is an independent strategic market research service provider. The Company commissioned Euromonitor as an Independent Third Party to conduct a market analysis of, and produce a report on, the (i) oral care products; (ii) leather care products; and (iii) household hygiene products markets in the PRC covering periods from 2011 to 2015 and estimates from 2016 to 2020, as well as the market trend of the principal raw materials used by the Company covering periods from 2010 to 2014. For the qualifications of Euromonitor, please refer to the section headed "E. Other Information – 6. Qualifications of experts" in Appendix V to the Prospectus.

We paid Euromonitor approximately RMB642,000 for the preparation and use of the Industry Report. The payment of such amount was not contingent upon our successful listing or on any of the results provided within the Industry Report. Except for the Industry Report, the Company did not commission any other customised industry reports.

In compiling and preparing the Industry Report, Euromonitor (i) conducted secondary research by reviewing published sources including national statistics and official sources such as the National Bureau of Statistics, specialist trade press and associations such as China Oral Care Industry Association and China Cleaning Industry Association, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor's own research database; (ii) conducted primary research by conducting interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates; (iii) obtained projected data from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers; and (iv) conducted review and cross-checks of all sources and independent analysis to build all final estimates including the size, drivers and future trends of the oral care, leather care and household hygiene products markets. The market share data reported in the Industry Report has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but not are publicly listed, Euromonitor has estimated the market shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

In preparing the Industry Report, Euromonitor took into account the following assumptions:

- the Chinese economy is expected to maintain steady growth over the forecast period;
- the Chinese social, economic, and political environment is expected to remain stable in the forecast period;
- there will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of oral care, leather care and household hygiene products markets in the PRC during the forecast period; and
- key market drivers such as increase in per capita disposable income, rapid urbanisation, rising health awareness, increasing demand for high-end production, and improved distribution network are expected to boost the development of the Chinese oral care, leather care and household hygiene products markets.

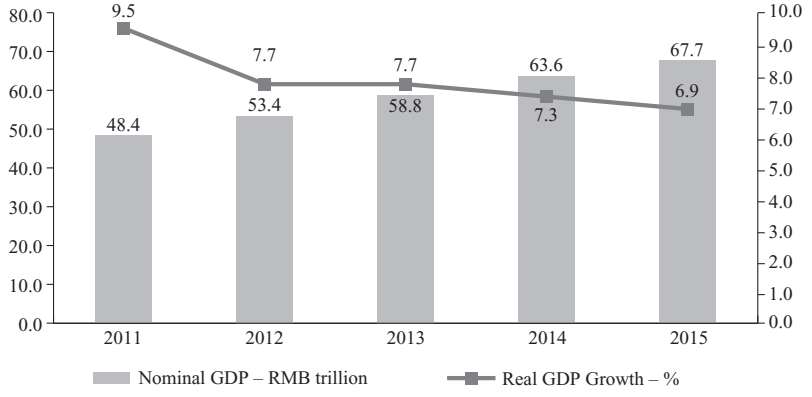
The information contained in the Industry Report may be affected by the accuracy of the foregoing assumptions and choice of parameters. Our Directors confirm that, as at the Latest Practicable Date, after taking due and reasonable care, there was no adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE PRC ECONOMY

Strong economic growth

China's economy has gradually stabilised after years of strong double-digit growth. Data from the National Bureau of Statistics demonstrated that China achieved a nominal GDP of approximately RMB67.7 trillion in 2015, representing a real annual growth of approximately 6.9% as compared with 2014. Drivers of economic growth continue to shift from manufacturing to services on the supply side and from investment to consumption on the demand side. The following chart sets out the nominal GDP and real GDP growth of the PRC from 2011 to 2015:

Nominal GDP and real GDP growth, 2011-2015

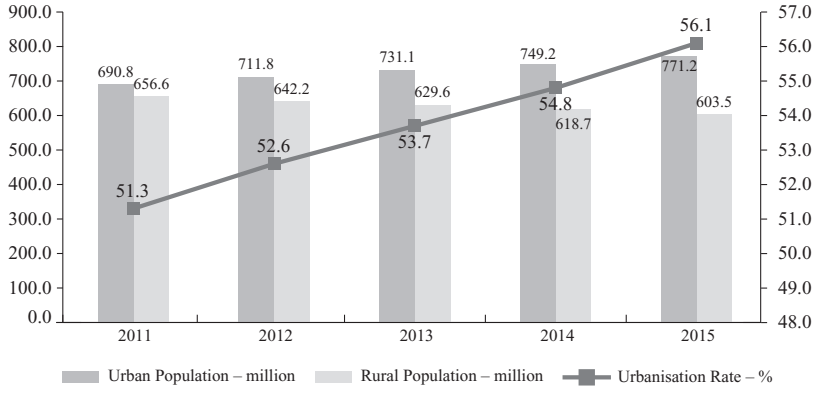


Source: the National Bureau of Statistics

Growing population and urbanisation

Due to the PRC's rapid economic development and the influx of migrants from rural areas to cities, the urban population of the PRC has increased from approximately 690.8 million in 2011 to approximately 771.2 million in 2015. During the same period, the PRC's urbanisation rate increased from 51.3% to 56.1%. The following chart sets out the urban population, rural population and urbanisation rate of the PRC from 2011 to 2015:

Urban population and rural population, 2011-2015

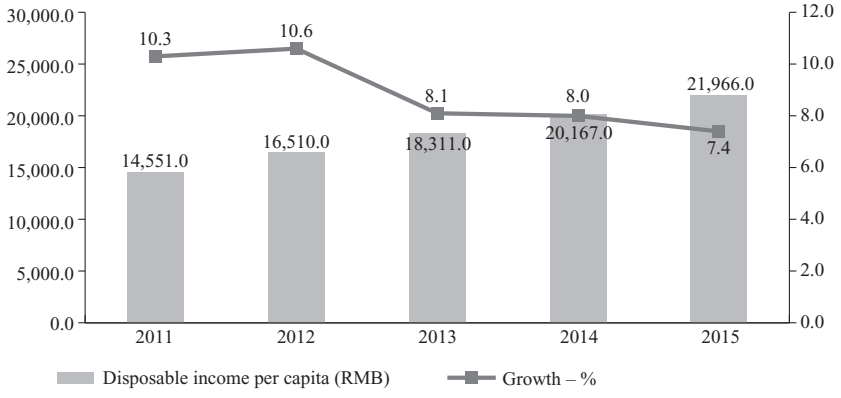


Source: the National Bureau of Statistics

Rising purchasing power

Disposal income of Chinese residents has been increasing with the robust growth of the macro economy. According to the National Bureau of Statistics, the per capita annual disposable income of the Chinese residents grew from approximately RMB14,551 in 2011 to approximately RMB21,966 in 2015, representing an average growth rate of approximately 8.9%. The following chart sets out the per capita annual disposable income of the Chinese residents from 2011 to 2015:

Per capita annual disposable income of Chinese residents, 2011-2015

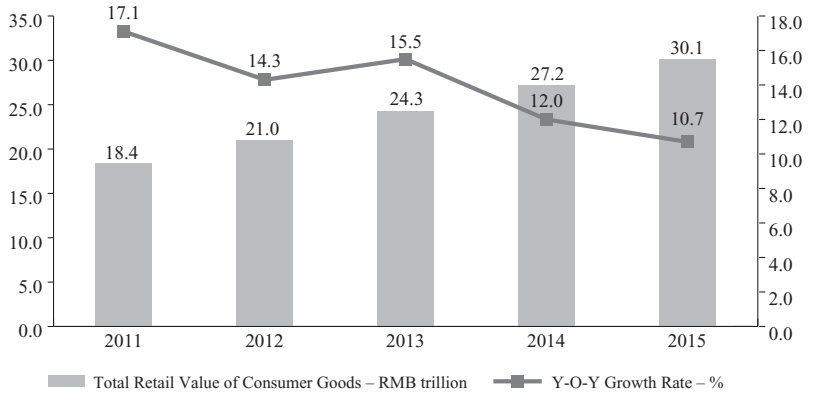


Source: the National Bureau of Statistics

Growing consumer expenditure

It is believed that due to the growing purchasing power benefited from increasing disposable income and changes of consumption concepts, Chinese residents have spent more in daily goods than ever before, in order to pursue better life quality. According to data published by National Bureau of Statistics, the total retail sales value of consumer goods in China grew with a CAGR of approximately 13.1% from approximately RMB18.4 trillion in 2011 to approximately RMB30.1 trillion in 2015. The following chart sets out the total retail sales value of consumer goods in the PRC from 2011 to 2015:

Total retail sales value of consumer goods in the PRC, 2011-2015

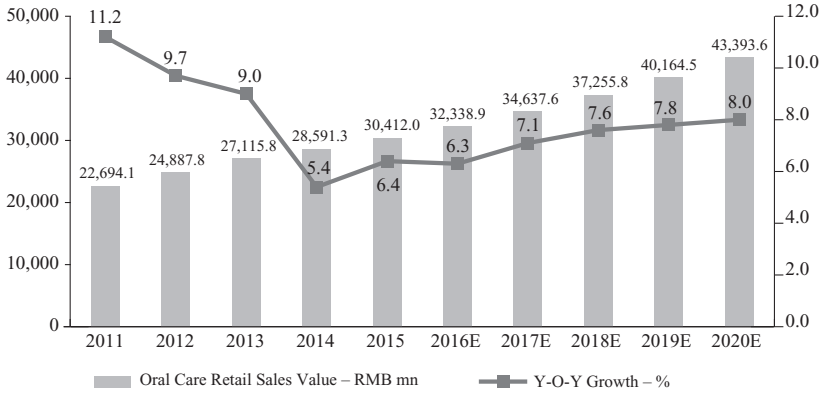


Source: the National Bureau of Statistics

OVERVIEW OF THE ORAL CARE PRODUCTS MARKET IN THE PRC

Oral care products include toothpaste, toothbrushes, mouthwashes/dental rinses, denture care, mouth fresheners, tooth whiteners and dental floss. The following chart sets out the actual and forecast retail sales value of oral care products in the PRC from 2011 to 2020:

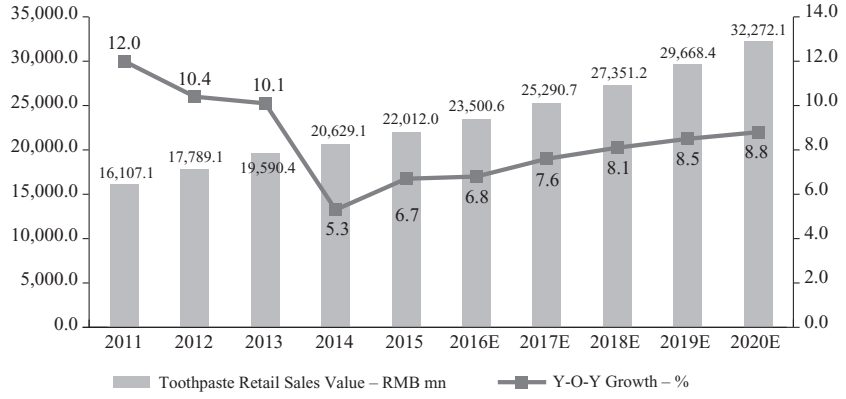
Retail sales value of oral care products in the PRC, RMB million, 2011-2020E



Source: Euromonitor International Passport – Beauty and Personal Care 2016

In terms of retail value in 2015, toothpaste was the biggest component in the overall oral care products market in the PRC with a 72.4% share, followed by toothbrushes with a 24.6% share. The following chart sets out the actual and forecast retail sales value of toothpaste in the PRC from 2011 to 2020:

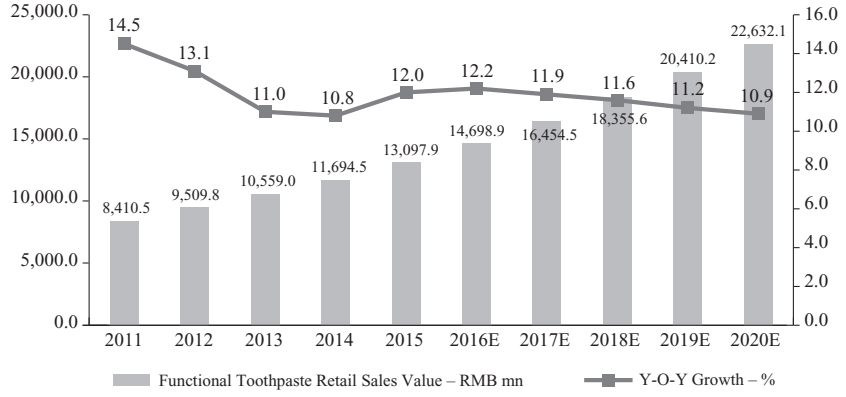
Retail sales value of toothpaste in the PRC, RMB million, 2011-2020E



Source: Euromonitor International Passport – Beauty and Personal Care 2016

With increasing awareness of oral health, toothpaste with sensitive or therapeutic properties drives the market to grow. Retail sales value of functional toothpaste in the PRC experienced robust growth from approximately RMB8.4 billion in 2011 to approximately RMB13.1 billion in 2015, representing a CAGR of approximately 11.7%, and is expected to further grow from approximately RMB14.7 billion in 2016 to approximately RMB22.6 billion in 2020, representing a CAGR of approximately 11.4%. The following chart sets out the actual and forecast retail sales value of functional toothpaste in the PRC from 2011 to 2020:

Retail sales value of functional toothpaste in the PRC, RMB million, 2011-2020E



Source: Euromonitor estimates from trade interview and desk research

Key trends and factors affecting the oral care products market in the PRC

According to the Industry Report, key trends and factors affecting the oral care products market in the PRC include the following:

Function integration

The effectiveness of alleviating the pain of bleeding gums and periodontitis was highlighted by consumers when buying toothpaste and dental floss. Oral hygiene was another key driver behind value growth in toothpaste and mouthwashes/dental rinses in 2015. The integration of two or three functions such as anti-allergic, teeth protection, teeth whitening and breath refreshing illustrated the further segmentation trend in toothpaste. Power toothbrushes provide consumers with a superior user experience, which is in line with consumers' interest in maintaining higher living standards.

Popularisation

On the other hand, toothpaste's popularisation trend made mouthwashes/dental rinses appear more affordable to the mass population. The expansion of mouthwashes/dental rinses has taken place from first- and second-tier cities to lower-tier cities and even rural areas, and from hypermarkets and supermarkets to independent retail stores.

Consumer awareness

Fuelled by higher disposable income and rising personal hygiene awareness, oral care is more than just an essential hygienic tool in people's daily lives. Customers realise that oral care is an essential part of people's health and oral disease not only affects daily diet, communication, social and etc, it may also cause the disease relevant to heart, cerebrovascular, respiratory, gastrointestinal and etc. Prevention is always better than cure so that customers become more willing to spend money on oral care products.

Efforts to promote high-end products

Due to manufacturers taking huge efforts into research and development to launch cutting-edge products to secure the profits, high-end products with integrated functions can be seen everywhere. On the other hand, leading manufacturers are also investing heavily in marketing via TV, website and social network to shape its leading image in different customer segments. Obviously the high-end products will achieve robust growth in coming future, customers will be getting used to change and update in the oral care goods frequently.

E-commerce development

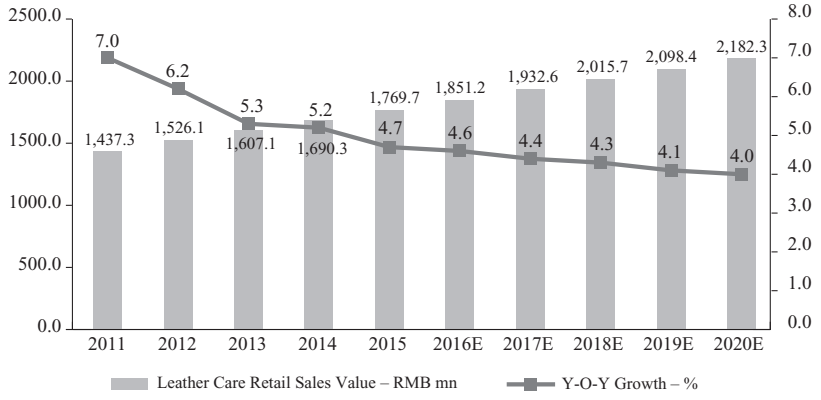
With the fast development of e-commerce in China, China customers are getting used to purchase daily products through online platform. This new behavior enables the manufacturers to directly connect their customers and make faster response to the shifting customer needs.

OVERVIEW OF THE LEATHER CARE PRODUCTS MARKET IN THE PRC

Leather care products represent products intended specifically for cleaning, preserving and/or restoring leather goods (e.g. leather shoes, leather clothing products, leather sofas, etc.). In terms of retail sales value in the PRC in 2015, shoe polish was the biggest component in the overall leather care products market with a 77.9% share. According to the Industry Report, China has developed a raising demand for leather care products since the 1990s. As product barrier is relatively low, there are many regional players in the market targeting low end market, while market leaders applied multi-brand strategy targeting different market segments to ensure the leading position of mid-end to high-end market.

According to the Industry Report, retail sales value of leather care products in the PRC grew from approximately RMB1,437.3 million in 2011 to approximately RMB1,769.7 million in 2015, representing a CAGR of approximately 5.3%, and is expected to further grow from approximately RMB1,851.2 million in 2016 to approximately RMB2,182.3 million in 2020, representing a CAGR of approximately 4.2%. The following chart sets out the actual and forecast retail sales value of leather care products in the PRC from 2011 to 2020:

Retail sales value of leather care products in the PRC, RMB million, 2011-2020E



Source: Euromonitor estimates from trade interview and desk research

According to the Industry Report, fueled by the rising middle class, the demand for high-end leather care products is burgeoning. Therefore, recent years have witnessed an obvious differentiation of leather care products where the market share of low-end products is shrinking while mid-to-high end products are expected to enjoy higher growth.

Key trends and factors affecting the leather care products market in the PRC

According to the Industry Report, key trends and factors affecting the leather care products market in the PRC include the following:

Acceleration in urbanisation

With the further process of urbanisation in China, the development of retail industry is expected to benefit from this process. The number of supermarkets, shopping malls and convenient stores is increasing and the retail industry fastens its infiltration into lower tier cities. The rapid growth of retail industry enlarges leather care's sales territory, and exposes a larger population of lower tier cities to leather care products, releasing further demands. Moreover, as more and more people become urban residents, their living standard is moving upwards and that triggers more diverse needs for leather care products.

Growing purchase power of China's middle class

China's booming economy has been driving the disposable income per capita upwards and results in the growing size of China's middle class. The expanding middle class will become the major consumption force in the future and their pursuit of higher living standard also helps to motivate the leather products market, and thus further drives the demand for leather care products. Their demand for leather products gradually turns from merely focusing on quality towards the social status and personal image leather products represent.

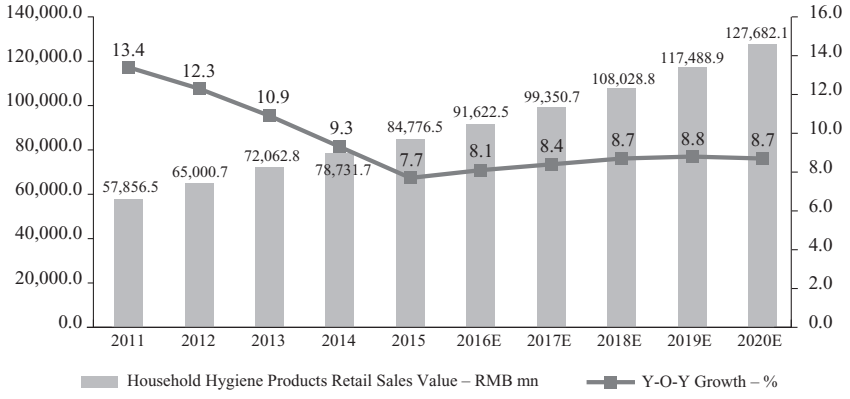
However, due to limited economic capability, they could not afford frequent replacement of leather products. Therefore the relatively low-cost and efficient leather care products effectively meet their needs for mid-end and high-end leather products by extending the durability and maintaining original appearance.

OVERVIEW OF THE HOUSEHOLD HYGIENE PRODUCTS MARKET IN THE PRC

Household hygiene products include laundry detergents, surface cleaners, dishwashing liquids and toilet care products. In terms of retail sales value in the PRC in 2015, laundry detergents was the biggest component in the overall household hygiene products market with a 72.1% share, followed by dishwashing liquids with a 13.2% share and surface cleaners with a 12.3% share.

According to the Industry Report, retail sales value of household hygiene products in the PRC grew from approximately RMB57.9 billion in 2011 to approximately RMB84.8 billion in 2015, representing a CAGR of approximately 10.0%, and is expected to further grow from approximately RMB91.6 billion in 2016 to approximately RMB127.7 billion in 2020, representing a CAGR of approximately 8.7%. The following chart sets out the actual and forecast retail sales value of household hygiene products in the PRC from 2011 to 2020:

Retail sales value of household hygiene products in the PRC, RMB million, 2011-2020E



Source: Euromonitor International Passport – Home Care 2016

Key trends and factors affecting the household hygiene products market in the PRC

According to the Industry Report, key trends and factors affecting the household hygiene products market in the PRC include the following:

Awareness on personal health

Influenced by frequent food safety and chemical pollution issues, people begin to pay more attention to personal health than before. While the necessity of chemical composition in realising household hygiene products' basic function is well accepted, the most apparent trend is that consumers are becoming increasingly sensitive to whether household hygiene products could alleviate its pungent side-effect and be made by more natural ingredients.

Diversified needs drive products with high specification

Companies have released product series based upon the needs above, attempting to follow the trend from various aspects including recipe, flavour, function, and interaction, which results in further specification of product functions and market segmentation. The development of market segments has become the major force of fabric care market and household dishwashing liquid market.

E-commerce

Online shopping has become a major trend, which results in new business opportunity for household hygiene products to be sold online, especially when the price of the products can be lowered when consumers purchase in bulk and when the customers are more familiar with the concept of online shopping.

COMPETITIVE LANDSCAPE

The daily consumer goods industry we operate in is highly competitive. Generally speaking, the market provides the consumers with rich choices. However, our business reflects certain uniqueness as we provide diversified product portfolio covering oral care, leather care and household hygiene products markets. We also focus on the functional toothpaste market. Below are the competitive landscapes for some of our major products and brands. All the market ranking and market share information for the respective markets is extracted from the Industry Report.

Competitive landscape of the oral care products market in the PRC

China's oral care products market is a highly concentrated market where top 10 leading players accounted for approximately 78.3% of the market in terms of retail sales value in 2015. The following table sets forth the top 10 companies in the oral care products market in the PRC in terms of retail sales value in 2015.

Top 10 companies in the oral care products market in the PRC, ranked by retail sales value, 2015

Rank	Company name
1	Colgate-Palmolive Co
2	Procter & Gamble Co, The
3	Yunnan Baiyao Group Co Ltd
4	Unilever Group
5	Amway Corp
6	Dencare (Chongqing) Oral Care Co Ltd
7	Guangzhou Weimeizi Personal Care Co Ltd
8	LG Household & Health Care Ltd
9	Nice Group
10	GlaxoSmithKline Plc

Source: Euromonitor International Passport – Beauty and Personal Care 2016

According to the Industry Report, in terms of retail sales value in 2015, our Group was the 8th largest company in the functional toothpaste market in the PRC with a market share of approximately 3.2%. Our major competitors in the functional toothpaste market in the PRC include (i) Colgate-Palmolive Co, The (Colgate (Guangzhou) Co., Ltd.) (which owns

two key brands in the functional toothpaste market known as Darlie and Colgate); (ii) Unilever Group (which owns a key brand in the functional toothpaste market known as Zhong Hua); and (iii) GlaxoSmithKline Plc (which owns a key brand in the functional toothpaste market known as Sensodyne).

The following table sets forth the top 10 companies in the functional toothpaste market in the PRC in terms of retail sales value in 2015 and their respective market shares:

Top 10 companies in the functional toothpaste market in China, ranked by retail sales value, 2015

Rank	Company name	2015 Market Share (%)
1	Company A	42.9
2	Company B	15.0
3	Company C	6.7
4	Company D	5.1
5	Company E	4.8
6	Company F	4.0
7	Company G	3.5
8	Our Group	3.2
9	Company H	1.5
10	Company I	1.4
	Others	11.9

Source: Euromonitor estimates from trade interview and desk research

Competitive landscape of the leather care products market in the PRC

According to the Industry Report, in terms of retail sales value in 2015, our Group was the 3rd largest company in the leather care products market in the PRC with a market share of approximately 9.4%. Our major competitors in the leather care market in the PRC include (i) SC Johnson & Son Inc (which owns certain key brands in the leather care market known as Pledge, Red Bird, Kiwi and Golden Rooster) and (ii) China Solunar Corp (which owns a key brand in the leather care market known as Solunar).

The following table sets forth the top 5 companies in the leather care products market in the PRC in terms of retail sales value in 2015 and their respective market shares:

Top 5 companies in the leather care products market in China ranked by retail sales value, 2015

Rank	Company name	2015 Market Share (%)
1	Company J	31.7
2	Company K	15.2
3	Our Group	9.4
4	Company L	2.5
5	Company M	2.0
	Others	39.2

Source: Euromonitor estimates from trade interview and desk research

Competitive landscape of the household hygiene products market in the PRC

Our major competitors in the household hygiene products market in the PRC include (i) Guangzhou Liby Enterprise Group Co., Ltd. (which owns certain key brands in the household hygiene product market known as Liby and Kispa); (ii) Nice Group (which owns certain key brands in the household hygiene product market known as Brand Diao and Chaoneng); (iii) Unilever Group (which owns certain key brands in the household hygiene product market known as CIF, OMO and Comfort); and (iv) Guangzhou Blue Moon Co., Ltd. (which owns one key brand in the household hygiene product market known as Blue Moon).

The following table sets forth the top 10 companies in the household hygiene products market in the PRC in terms of retail sales value in 2015:

Top 10 companies in the household hygiene products market in China ranked by retail sales value, 2015

Rank	Company name
1	Guangzhou Liby Enterprise Group Co Ltd
2	Nice Group
3	Unilever Group.
4	Procter & Gamble Co, The
5	Guangzhou Blue Moon Co Ltd
6	Hutchison Whampoa Ltd
7	Whealthfields Group Inc
8	Guangzhou Lonkey Industry Co Ltd
9	Shanxi Nafine Chemicals Group Ltd
10	Amway Corp

Source: Euromonitor International Passport – Home Care 2016

KEY BARRIERS TO ENTRY

According to the Industry Report, the key entry barriers for a new market entrant in relation to the production of oral care products, leather care products and household hygiene products include:

Oral care products

- *Branding is the core to win the market*

  With the transformation of customers' awareness, strong brand image and high brand awareness are contributing to build a reliable product image. Customer attitude towards oral care product is turning to disease prevention. Reliable products are heavily preferred by customers and have easier access to various channels.

- *Channel system is taking time to build*

  Although online channel is getting popular in China, it plays a minority role in terms of distributing oral care products. Offline channel still dominates the market. Building offline channel is a time-consuming process for every player in the market, and this is one of the key motivators for multinational oral care

manufacturers to acquire local manufacturers as those local manufacturers are able to provide the multinational manufacturers with quick access to their established channels.

- *Research and development is the key to compete*

  The leading players are getting rid of homogeneous competition. Instead, they are trying to capture diversified customer needs by launching innovative and specific products within shorter time. But similar to channel system, building strong research and development capability is also a time-consuming and costly process.

Leather care products

- *Brand Barrier*

  The 5 largest leather care companies have occupied about 60.8% of the total market share and the pattern remains stable. Those relatively large-scale companies usually have vast brand impact and more mature distribution network. Therefore, for new comers, it may be hard to divert consumers from the existing brands.

- *Channel Barrier*

  The distribution channel of leather care products relies on the traditional model of distributors and the fast developing supermarket and shopping mall channel. The traditional model of distributors requires consistent accumulation and careful management. Therefore, with limited product differentiation, it's difficult for new comers to develop its own distributor network.

Household hygiene products

- *Market consolidation raises entry barriers*

  The general trend of China's household hygiene products market will be further consolidated. Leading brands are gradually gaining market share from local manufacturers, and thus raise the entry barrier for new entries in aspects of brand, channel, and technology.

RAW MATERIALS

Due to the diversity of our products, we used a variety of raw materials during the Track Record Period. Our raw materials primarily comprise of (i) abrasive agent, fe enzyme, essence, emulsifying agent, humectant and sweetening agent for our oral care products; (ii) wax, oil, emulsifying agent, essence, coloring agent and mildew preventive for our leather care products; and (iii) surface active agent, essence, emulsifying agent, chelating agent, preservative and deionised water for our household hygiene products. As each raw material only represented a small portion of our overall raw material costs, we did not experience any material price fluctuations for our raw materials as a whole during the Track Record Period. Please refer to the section headed "Financial Information" in this Prospectus for details of our raw material costs.

Our principal raw materials are sorbitol for our oral care products, and carnauba wax and kerosene for our leather care products.

Sorbitol

Sorbitol is a type of humectant used in the production of our oral care products. Due to the variety of sorbitol, no published price index of sorbitol is available. Therefore, we use the import and export prices of sorbitol under HS Code 29054400 published by the General Administration of Customers of the PRC（中華人民共和國海關總署）as a reference to illustrate the price trend of sorbitol. The import and export prices of sorbitol increased in the PRC from 2010 to 2014, with a CAGR of 5.4% and 7.0% respectively. The following chart sets out the import and export prices of sorbitol from 2010 to 2014.

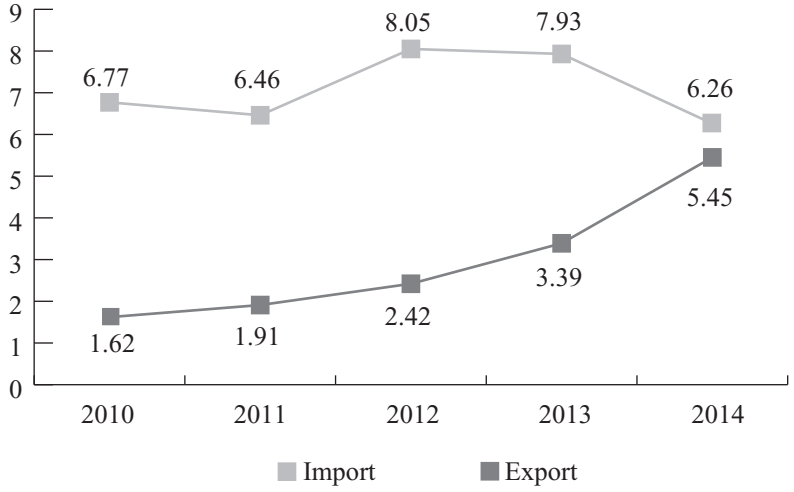
Import & export price of sorbitol, USD/kg

Source: UN Comtrade (Sorbitol: under HS Code 29054400)

Carnauba Wax

Due to the variety of carnauba wax, no published price index of carnauba wax is available. Therefore, we use the import and export prices of carnauba wax under HS Code 34053000 published by the General Administration of Customers of the PRC（中華人民共和國海關總署）as a reference to illustrate the price trend of carnauba wax. The import price of carnauba wax decreased from 6.77 USD/Kg in 2010 to 6.26 USD/Kg in 2014, while the export price rose from 1.62 USD/Kg in 2010 to 5.45 USD/Kg in 2014, with a CAGR of 35.4%. The following chart sets out the import and export prices of carnauba wax from 2010 to 2014.

Import & export price of carbauba wax, USD/kg

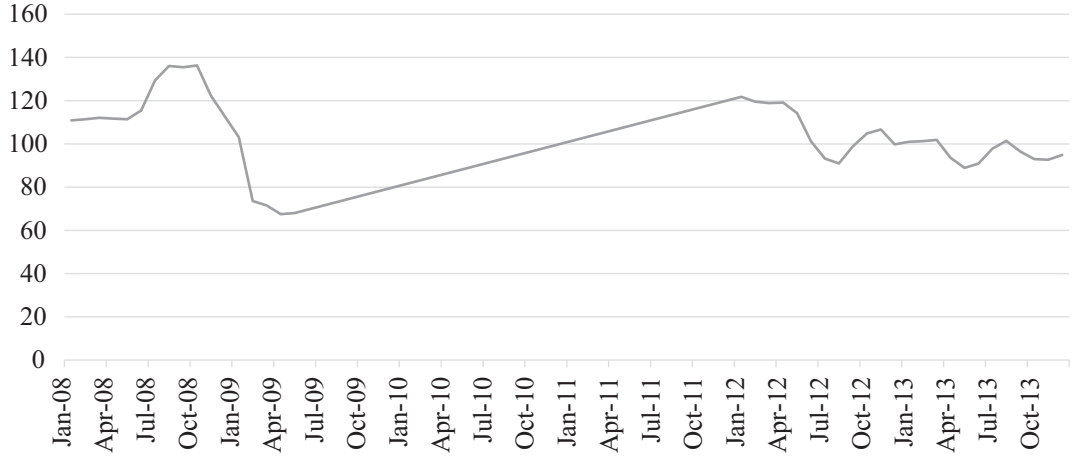


Source: UN Comtrade (Carnauba Wax: under HS Code 34053000)

Kerosene

Due to the diversity of kerosene, no published average price of kerosene as a whole is available. The price index below sets out the price trend of kerosene compiled by Euromonitor.

Price index of kerosene by month



Source: Compiled by Euromonitor from desk research on ifeng.com

This section summarises the most significant PRC laws and regulations applicable to our business and the industry in which we operate. Information contained in this section should not be construed as a comprehensive summary of the PRC laws and regulations applicable to us.

COMPANY LAW OF THE PRC

All limited liability companies and joint stock limited companies, incorporated and operating in China, are governed by the Company Law of the PRC（中華人民共和國公司法）. The Company Law of the PRC was amended and promulgated by NPCSC on 28 December 2013 and officially came into effect as at 1 March 2014. In the latest amendment, paid-in capital registration was abolished, and the provisions on minimum statutory requirement of registered capital and statutory timing requirement of capital contribution were deleted. FIE must also comply with the Company Law of the PRC, unless otherwise specified in the foreign investment laws.

RULES ON WHOLLY FOREIGN-OWNED ENTERPRISES

With respect to the establishment and operation of wholly foreign-owned enterprises ("**WFOE**"), the Ministry of Commerce of the PRC（中華人民共和國商務部）and the National Development and Reform Commission of the PRC（中華人民共和國國家發展和改革委員會）("**NDRC**") jointly promulgated the Catalogue for the Guidance of Industries for Foreign Investment（外商投資產業指導目錄）and amended it to its current version on 10 March 2015, effective on 10 April 2015. The Catalogue divides foreign-invested industries in the PRC into three categories of prohibited, restricted, and encouraged foreign investment. The business of daily household industry has been included in the permitted category.

WFOEs in the PRC are mainly regulated by the Law of the PRC on Wholly Foreign-Owned Enterprises（中華人民共和國外資企業法）(the "**WFOE Law**") which was adopted by the National People's Congress on 12 April 1986 and was amended on 31 October 2000, and the Implementation Rules for the WFOE Law（中華人民共和國外資企業法實施細則）was promulgated on 12 December 1990 and amended on 19 February 2014. These laws and regulations set out fundamental rules for WFOEs in the PRC. The proportion of WFOEs' registered capital to the total investment amount must be in conformity with the relevant regulations of the PRC.

In addition, according to the Interim Measures on the Management of Foreign Debts（外債管理暫行辦法）promulgated by SAFE, the Ministry of Finance of the PRC（中華人民共和國財政部）and NDRC on 8 January 2003, the summation of the accumulated medium-term and long-term loans borrowed by FIEs and the balance of short-term loans shall not exceed the surplus between the total investment amount and the registered capital. Within such range of the surplus, FIEs may borrow foreign loans at their own discretion.

According to the aforementioned laws and regulations, WFOEs in the PRC may only pay dividends out of their accumulated profits, as determined in accordance with PRC accounting standards and regulations. In addition, WFOEs are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, until the accumulated amount of such funds reaches 50% of its registered capital. WFOEs shall also allocate a discretionary portion of their after-tax profits to staff welfare and bonus funds based on PRC accounting standards. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Violation of the above-mentioned laws, regulations or rules may result in orders to make full allocation of the required funds, and imposition of fines. As advised by our PRC Legal Advisers, we have complied with the WFOE Law and its Implementation Rules in all material respects.

RULES RELATING TO OUR PRODUCTS

The products we produce mainly include oral care products, leather care products and household hygiene products. Our products are regulated in respect of product permits, quality control, production safety and advertising.

In accordance with the Administration Regulations of the PRC on Production Licenses for Industrial Products（中華人民共和國工業產品生產許可證管理條例）promulgated by the State Council on 9 July 2005 and came into effect on 1 September 2005 and the Implementing Measures for the Administration Regulations of the PRC on Production Licenses for Industrial Products （中華人民共和國工業產品生產許可證管理條例實施辦法） promulgated by AQSIQ on 21 April 2014 and implemented on 1 August 2014, a production enterprise shall not commence production until obtaining the production licenses for industrial products for appropriate product kind. The aforesaid rules specifically establish an administrative system of production licenses for enterprises producing important industrial products. As advised by our PRC Legal Advisers, we have obtained the necessary licenses for our production.

Quality of the products we produce is regulated by the Product Quality Law of the PRC（中華人民共和國產品質量法）promulgated on 22 February 1993 and revised on 8 July 2000. Pursuant to the Product Quality Law, a production enterprise shall establish and implement an internal quality management system and an appropriate assessment system for its production. Industrial products which may be hazardous to human health, personal and property safety shall conform to relevant national and industrial standards. In absence of such national or industrial standards, the products must conform with the minimum requirements for ensuring human health, personal and property safety. In addition, the state implements a mechanism for enterprise quality system certification, under which enterprises may voluntarily apply to the certification bodies recognised by AQSIQ or its authorized departments for certification. The qualified enterprises will be issued with a certificate of enterprise quality system certification.

In the course of production, we shall comply with the relevant laws and regulations regarding safe production. According to the PRC Production Safety Law（中華人民共和國安全生產法）effective as at 1 December 2014, the production facilities must have adequate conditions for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity failing to fulfil the conditions for safe production shall not engage in production and business operation activities. The entity shall provide education and trainings to their employees on production safety. The designing, manufacturing, installation, using, testing, maintenance, of safety equipment shall be in conformity with the national standards or industrial standards. In addition, the production enterprises shall provide their employees with adequate labor protective articles which meet the relevant national standards or industrial standards, supervise and educate them to wear or use such articles according to the prescribed rules.

Pursuant to the Advertising Law of the PRC（中華人民共和國廣告法）which was revised on 24 April 2015 and implemented on 1 September 2015, product commercials shall not contain false or misleading content and deceive or mislead consumers. A commercial should make accurate, distinct and clear specifications on the products feature, function, place of origin, uses, composition, price, manufacturer and validity period, if applicable.

In addition to the requirements mentioned above, we are subject to some other specific requirements for toothpaste and pesticide products made by relevant regulatory authorities. The details are as follow:

Toothpaste

Pursuant to the Circular of CFDA on Further Improving the Work Relating to Production Licensing of Cosmetics（食品藥品監管總局關於進一步做好當前化妝品生產許可有關工作的通知）issued by CFDA on 11 October 2013, toothpaste shall fall under the regulatory scope of cosmetics products. As a result, toothpaste shall be subject to the rules and regulations applicable to cosmetics products. Currently, the main regulations relating to the production and sales of cosmetics products in the PRC are as follows:

In the aspect of product labelling, the applicable law is the Administrative Provisions on Cosmetic Labeling（化妝品標識管理規定）promulgated by AQSIQ on 27 July 2007 and implemented on 1 September 2008 which governs the labelling of cosmetics produced and distributed in the PRC. Given that toothpaste is categorised as cosmetic products in this provisions, toothpaste shall comply with the labelling requirements for cosmetics products.

In the aspect of hygiene monitoring, pursuant to Regulations concerning the Supervision of Cosmetics Hygiene (Order of the MoH No. 3)（化妝品衛生監督條例(衛生部令第3號)）promulgated on 13 November 1989 and implemented on 1 January 1990, a hygiene licensing system for manufacturers of cosmetic products is established and implemented. MoH further issued the Detailed Rules for the Implementation of the Regulation on the Hygiene Supervision over Cosmetics (Wei Jian Du Fa [2005] No. 190)（化妝品衛生監督條例實施細則(衛監督發[2005]190號)）on 20 May 2005 to clarify the examine and approval procedures of the hygiene license for the production enterprise of cosmetics. The detailed requirements for the production enterprise of cosmetics and their products were provided in

the Hygiene Specifications of Cosmetics Production Enterprises（化妝品生產企業衛生規範）promulgated on 31 May 2007 and implemented on 1 January 2008 by MoH and the Hygiene Specifications of Cosmetics (2007) (Wei Jian Du Fa [2007] No.1)（化妝品衛生規範(2007年版)(衛監督發[2007]1號)）promulgated on 4 January 2007 and implemented on 1 July 2007. The former requires the production enterprise of cosmetics to comply with the specified requirements with respect to the location selection and planning of production plant, production hygiene, hygiene and quality inspection, storage hygiene of raw materials and finished products, production staff's personal hygiene and health. The latter provides specific requirements for cosmetic's packaging, hygiene, experience approach of toxicology and hygiene testing approach of chemicals.

In the aspect of quality control of export product, our toothpaste products are required to comply with the Measures for the Inspection, Quarantine, Supervision and Administration of Imported and Exported Cosmetics (Order of AQSIQ, No. 143)（進出口化妝品檢驗檢疫監督管理辦法(國家質量監督檢驗檢疫總局令第143號)), promulgated on 10 August 2011 and implemented on 1 February 2012 by AQSIQ. Pursuant to the measures, AQSIQ implements filing management to enterprises producing export cosmetics. Enterprises producing export cosmetics shall establish a quality management mechanism and sustain effective operation. In addition, such enterprises shall also ensure their export cosmetics to fulfill the standards of the importing countries and/or regions as well as the contractual requirements.

We also notice that in order to strengthen the regulation on cosmetic products, CFDA issued the Regulation on Supervision and Administration of Cosmetics (draft for consultation)（化妝品監督管理條例(徵求意見稿)）on 8 November 2014 and certain subsidiary guidelines subsequently. On 20 July 2015, the Legislative Affairs Office of the State Council of the PRC（國務院法制辦公室）started to solicit public comments on the Regulation on Supervision and Administration of Cosmetics (Revised Draft for Review)（化妝品監督管理條例(修訂草案送審稿)）submitted by CFDA (altogether, the "**Proposed Regulations**"). Pursuant to the Proposed Regulations, toothpaste is formally categorised as cosmetic product and may therefore be subject to new and more stringent rules.

The key changes of the Proposed Regulations include rules on raw materials used in cosmetic products, safety evaluation and efficacy claim relating to cosmetic products, as well as internal control and reporting requirements for manufacturers. The Proposed Regulations require that the raw materials of cosmetic products either have to fall within a prescribed list of permitted/restricted materials promulgated by CFDA, or be approved or filed with the competent authorities before being used. As advised by our PRC Legal Advisers, the components of fe enzyme, one of our key raw materials used in the manufacturing of our functional toothpaste, fall into the current prescribed list of permitted materials for the manufacture of cosmetic products promulgated by CFDA. The manufacturers are also required to conduct safety evaluation on their cosmetic products, make the scientific evidence for such products' efficacy publicly available, conduct regular self-examination on their compliance status with the relevant norms and submit annual reports to the competent authorities. Under the Proposed Regulations, non-compliance with the rules may, depending on the seriousness of the non-compliance, result in administrative sanctions, fine, order to pay compensation, cancellation of production permit or criminal prosecution.

According to the relevant laws and regulations in the PRC including the Legislation Law of the PRC（中華人民共和國立法法）promulgated on 15 March 2015 and the Ordinance on the Formulation of Administrative Regulations（行政法規制定程序條例）promulgated on 16 November 2001 and implemented on 1 January 2002, the Proposed Regulations will only become effective after the following procedures have been performed: (i) upon consolidating comments from the public, the Legislative Affairs Department of the State Council ("**Legislative Affairs Department**") shall issue the draft Proposed Regulations; (ii) the key person-in-charge of the Legislative Affairs Department will then propose to the Executive Meeting of the State Council for review of the draft Proposed Regulations; (iii) the Legislative Affairs Department will then amend the Proposed Regulations based on the opinions of the State Council, and seek the approval of the Premier of PRC approval in writing for the signing of the Decree of the State Council for its publication and implementation; and (iv) the signed Decree of the State Council for the publication of the administrative regulations will set out the implementation date for the Proposed Regulations. However, the laws and regulations have not imposed any definite time schedule at present on the implementation of the abovementioned procedures. As the Proposed Regulations are still under review and have not been put into effect yet, it is currently unclear as to when the Proposed Regulations will be promulgated and whether the Proposed Regulations will be promulgated in their current form. In view of the potential impact of the Proposed Regulations on our toothpaste products, we have (i) conducted an internal meeting to discuss the development of the Proposed Regulations; (ii) made changes to certain product packaging in accordance with the requirements under the Proposed Regulations; and (iii) appointed a designated staff to monitor our production to ensure compliance with the Proposed Regulations. As advised by our PRC Legal Advisers, our Group is in compliance with the relevant legal requirements as stated in the Proposed Regulations in their current forms. Therefore, our Directors are of the view that the Proposed Regulations will not have material adverse effect on our Group's business.

Pesticide

Regulations on Pesticide Administration（農藥管理條例）was issued by the State Council on 8 May 1997 and was amended on 29 November 2001. This regulation is used for regulating the production, operation and use of pesticide in the PRC. MoA is in charge of the nationwide registration, monitoring and management of pesticide. The agricultural administrative authorities at various levels assist the MoA with the pesticide registration within their respective administrative regions and are responsible for the monitoring and management of pesticide within the administrative region. The state implements the pesticide registration system. Registration is required for production and import of pesticide. To ensure the thorough implementation of the Regulations on Pesticide Administration（農藥管理條例), and strengthen its supervision on registration, trade and use of pesticide, the Measures for Implementing the Regulation on Pesticide Administration (Order of the MoA No. 18)（農藥管理條例實施辦法(農業部令第18號)）was promulgated by the MoA on 27 July 2002, which was amended and promulgated on 8 December 2007, and came into force on 8 January 2008.

REGULATIONS ON ENVIRONMENTAL PROTECTION

On 24 April 2014, NPCSC promulgated the latest revised version of the PRC Environment Protection Law (中華人民共和國環境保護法), which came into effect on 1 January 2015. The PRC Environment Protection Law which establishes the legal framework for environmental protection in the PRC, clearly states that producers and operators shall prevent and reduce environmental pollution and ecological damage as well as take the liabilities for the damages caused therefrom.

Construction project environmental protection

According to the Environmental Impact Appraisal Law of the PRC (中華人民共和國環境影響評價法), promulgated by the NPCSC on 28 October 2002 and effective on 1 September 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998 and became effective that date and the Measures for Environmental Protection Check and Acceptance of Completed Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated by the SEPA on 27 December 2001 and amended on 22 December 2010, an environmental impact assessment must be conducted for any new, renovated or rebuilt construction projects discharging contaminated wastes or hazards to the environment, such as waste gas, water, deposits, dusts, pungent gases and radioactive matters as well as noise, vibration and magnetic radiation, and the assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. The SEPA is primarily responsible for the supervision and administration of environmental protection work nationwide and formulating national standards on environment quality and waste discharge limits and standards, and local environmental protection authorities at county level and above are responsible for the environmental protection in their jurisdictions and are required to implement a uniform system of supervision and administration in relation to environment protection.

Prevention and control of pollutions

The Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) which was promulgated on 29 April 2000 by the NPCSC and became effective on 1 September 2000, the Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) which was amended on 28 February 2008, the Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) which was promulgated by the NPCSC on 29 October 1996 and became effective on 1 March 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) which was amended by the NPCSC on 29 June 2013, respectively prescribes the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

Pursuant to the aforementioned laws, the state implements a waste discharge permit system. Enterprises producing environmental contamination and other public hazards must incorporate environmental protection works into their planning and establish environmental protection systems. Enterprises discharging contaminated wastes in excess of the discharge

standards prescribed by SEPA must pay non-standard discharge fees in accordance with state regulations and be responsible for the relevant cure. With regard to any violation of the relevant regulations on discharge of pollutants, environmental protection authorities may require the enterprise responsible for such violation to stop the discharge of pollutants and rectify the problem prior to a certain deadline, impose a fine, or suspend/close the enterprise's business.

LAND

Pursuant to the Land Administration Law of the PRC（中華人民共和國土地管理法）which was revised and became effective on 28 August 2004, an enterprise applying for land use rights must execute contracts for the use of the land with the competent land authorities or rural collectives, depending on the ownership of the land, and pay land compensation fees for the use of the land.

According to the Land Administration Law of the PRC and the Implementation Provisions of the Land Administration Law（中華人民共和國土地管理法實施條例), which was promulgated by the State Council upon 27 December 1998 and revised upon 8 January 2011 and 29 July 2014, entities that use rural land on a temporary basis must enter into temporary land use grant agreements with the local rural collectives or the land use right holders and obtain temporary land use permits from local land authorities. Pursuant to the regulation, in respect of land collectively owned by farmers, the land owners shall make land registration application to the competent land administrative department of the relevant county where such land is located. Such department registers and records collectively-owned land, issue collectively-owned land certificate and recognises the land ownership. To use the land collectively owned by farmers for non-agricultural construction, land users must make an additional application to the land administrative department of the relevant county which will register and record collectively-owned land, issue collectively-owned land certificate and recognise the use right of such construction land. Entities that use land on a long term basis shall enter into land use right agreements with the competent land authorities and apply for long term land use right certificates for such land pursuant to relevant rules. We have obtained 3 land use right certificates for the right to use the land within 50 years. Save as disclosed in the section headed "Business – Properties" in this Prospectus, we have also obtained 6 building ownership certificates for the properties upon such land. Except for the abovementioned land and properties owned by us, we also entered into a temporary land use grant agreement with an Independent Third Party in accordance with the relevant laws and regulations.

In order to regulate the transfer of collectively-owned land in the Wuxi city of Jiangsu Province, the government of Wuxi promulgated the Temporary Administrative Measures for the Circulation of Land Use Right of Collectively-owned Land for Construction Projects（無錫市集體建設用地使用權流轉管理暫行辦法）on 12 January 2007, which applies to the transfer of collectively-owned land for construction projects out of the planning zone of Wuxi's administrative region and accumulative collectively-owned land for construction projects within such planning zone and the relevant administrative management actions. The abovementioned measure provides that the transfer, lease, and pledge of the land use right of the collectively-owned land for construction projects of a collective economic organisation is subject to the consent of at least 2/3 of its members or their representatives.

INTELLECTUAL PROPERTY RIGHTS

Patent

Pursuant to the Patent Law of the PRC（中華人民共和國專利法）which was revised on 27 December 2008 and became effective on 1 October 2009, the inventor or designer of any invention-creation (including inventions, utility models and designs) is able to apply for the patent right. An invention, a utility model or a design for which a patent may be granted must possess novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. After accepting and examining patent applications, the patent administrative department will grant patent rights for invention-creations in accordance with law. A patent is valid for a twenty-year term in the case of an invention and a ten-year term in the case of a utility model or design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent, except in specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

According to the Patent Law, an infringer shall be subject to various civil liabilities, which include ceasing the infringement and compensating the actual loss suffered by patent owners. If it is difficult to calculate the actual loss suffered by the patent owner, the illegal income received by the infringer as a result of the infringement, or if it is difficult to calculate the illegal income, a reasonable amount calculated with reference to the patent royalties, shall be deemed as the actual loss. In addition, an infringer who counterfeits patents of third parties shall be subject to administrative penalties or criminal liabilities, if applicable.

Trademark

According to the Trademark Law of the PRC（中華人民共和國商標法）that was amended and promulgated by the NPCSC on 30 August 2013 and came into force as at 1 May 2014, the term of validity of a registered trademark shall be ten years, commencing from the date of approval of registration. A trademark registrant intending to continue to use the registered trademark upon expiry of the validity term thereof shall complete the renewal formalities within twelve (12) months before expiry according to relevant provisions, however, if not, the trademark registrant may be granted a six-month grace period. The term of validity of each renewal shall be ten years, commencing from the day immediately after the expiry date of the previous validity term thereof. If the renewal formalities are not completed within the grace period, the trademark shall be deregistered. The competent Administration of Industry and Commerce（工商行政管理局）shall have the authority to duly investigate into and impose punishment upon any infringement of the right to exclusively use a registered trademark, and suspected crimes shall be promptly transferred to judicial authorities for treatment according to the law.

Domain names

On 5 November 2004, MIIT amended the Measures for Administration of Domain Names for the Chinese Internet (中國互聯網絡域名管理辦法), or (the "**Domain Name Measures**"). The Domain Name Measures regulate the registration of domain names, such as the first tier domain name ".cn". On 28 May 2012, China Internet Network Information Center (中國互聯網絡信息中心 "**CNNIC**"), issued the revised version of Implementing Rules for Domain Name Registration (中國互聯網絡信息中心域名註冊實施細則), and the Measures on Domain Name Disputes Resolution (中國互聯網絡信息中心域名爭議解決辦法), pursuant to which CNNIC can authorise a domain name dispute resolution institution to decide disputes. We have all the domain names we use duly registered with the relevant Internet administration and service agencies.

LABOR AND PERSONNEL

Labor laws and regulations in the PRC include the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law (中華人民共和國勞動合同法) and the Implementation Regulations of the PRC Labor Contract Law (中華人民共和國勞動合同法實施條例). Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with employees in order to establish an employment relationship. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative liabilities, and criminal liability may arise for serious violations.

Pursuant to the PRC Social Insurance Law (中華人民共和國社會保險法) that was promulgated by the NPCSC on 28 October 2010 and came into force as at 1 July 2011 and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) that were promulgated by the State Council on and came into force as at 22 January 1999, employers in China are obligated to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

According to the Administrative Rules of Household Provident Fund (住房公積金管理條例), the employer must deposit housing provident fund on behalf of its employees. The household welfare administrative center is responsible for the administrative operation of household provident fund. If an entity does not deal with the household provident fund payment and storage record or does not deal with or set up procedures of the household provident fund account for its employees, the household administrative center is authorised to require the entity to accomplish within limited period, if the above requirement is not accomplished within the limited period, the entity will be fined between RMB10,000 and RMB50,000. If the entity does not pay or pay less for the household provident fund, the household welfare administrative center is authorised to order the entity to make payment within the limited period, and if the entity does not pay within such period, it has the right to apply for the People's Court for mandatory implementation.

TAX

EIT

Pursuant to the EIT Law that was promulgated by the National People's Congress（全國人民代表大會）on 16 March 2007 and came into force as at 1 January 2008 and the EIT Implementation Regulations（企業所得税法實施條例), a resident enterprise is subject to EIT for the income derived from activities both inside and outside the territory of the PRC. If an organisation or establishment is set up by a non-resident enterprise in the PRC, it is subject to EIT for the income derived from such organisation or establishment in the PRC and the income derived from outside the PRC but only on those activities with actual connections to the organisation or establishment in the PRC. For a non-resident enterprise which has not set up an organisation or establishment in the PRC, or has set up an organisation or establishment but the income derived has no actual connection with such organisation or establishment, if its income derived in the PRC, it will also be subject to EIT.

For both domestic enterprises and FIE, the EIT shall be levied at the rate of 25%. A non-resident enterprise without a permanent establishment in the PRC or such non-resident enterprise which has set up a permanent establishment in PRC but its earning income is not connected with the abovementioned permanent establishment will be subject to tax on their PRC-sourced income. The income shall be taxed at the reduced rate of 10%.

In addition, the EIT Law and the EIT Implementation Regulations permit certain "high and new technology enterprises strongly supported by the state" that hold independent ownership of core intellectual property and simultaneously meet a list of other criteria, financial or non-financial, as stipulated in the EIT Implementation Regulations, to enjoy a reduced 15% EIT rate subject to certain new qualification criteria. On 14 April 2008, the State Administration of Taxation（國家税務總局）("**SAT**"), the Ministry of Science and Technology（科學技術部）and the Ministry of Finance of the PRC（中華人民共和國財政部）jointly issued the Administrative Measures for Certification of High and New Technology Enterprises（高新技術企業認定管理辦法), which was recently revised and issued on 29 January 2016. Such Measures delineate the specific criteria and procedures for the "High and New Technology Enterprise" certification. On 22 April 2009, the SAT issued the Notice Regarding Several Issues concerning Implementing Tax Priority upon High and New Technology Enterprise（國家税務總局關於實施高新技術企業所得税優惠有關問題的通知）in order to further implement preferential income tax treatment for High and New Technology enterprises and the transitional preferential policies.

Jiangsu Snow Leopard, one of our PRC subsidiaries, currently holds the Certification of High and New Technology Enterprise (code: GF201432000610) with a valid period of 3 years jointly issued by Science and Technology Bureau of Jiangsu Province（江蘇省科學技術廳), Finance Bureau of Jiangsu Province（江蘇省財政廳), State Tax Bureau of Jiangsu Province（江蘇省國家税務局）and Local Tax Bureau of Jiangsu Province（江蘇省地方税務局）upon 5 August 2014, and during the valid period it enjoys a reduced 15% EIT rate.

Value Added Tax ("VAT")

Pursuant to the Interim Regulations of the PRC on Value Added Tax（中華人民共和國增值税暫行條例）that were amended by the State Council on 10 November 2008 by and implemented on 1 January 2009, unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%. The VAT rate for taxpayers selling and importing feed shall be 13%. Our PRC subsidiaries are both subject to VAT at the rate of 17%.

SAT Bulletin [2015] No. 7

On 3 February 2015, the SAT released a SAT Bulletin [2015] No. 7 Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises（國家税務總局公告2015年第7號 – 關於非居民企業間接轉讓財產企業所得税若干問題的公告）(SAT Bulletin [2015] No. 7, the "**Bulletin 7**") to supersede the current Chinese tax rules in relation to the offshore indirect equity transfer as previously set forth in Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises （關於加強非居民企業股權轉讓所得企業所得税管理的通知）. Bulletin 7 applies to such offshore indirect transfer of China Taxable Properties ("**Offshore Indirect Transfer**") as: (i) immovable property in China, (ii) assets held under the establishment and place in China and (iii) equity-related interests in PRC resident company, directly or indirectly obtained by a non-resident company in China through the Offshore Indirect Transfer of its offshore intermediate holding subsidiary ("**Offshore Subsidiary**"). However, where Offshore Indirect Transfer of such Offshore Subsidiary is completed in a publicly traded securities market or is exempt from corporate income tax pursuant to applicable tax treaties or arrangements, the Bulletin 7 will not be applicable to such Offshore Indirect Transfer. Section 3 of Bulletin 7 offers comprehensive criteria as to whether an Offshore Indirect Transfer is one with a reasonable business purpose. Section 6 of the Bulletin 7 will deem the Offshore Indirect Transfer as one with reasonable commercial purpose, should such Offshore Indirect Transfer of taxable properties in PRC meet all the following conditions:

(i) transaction parties' equity relationship falls into one of the following situations

  (a) the transferor directly or indirectly controls 80% or more of the equity interests of transferee,

  (b) the transferee directly or indirectly controls 80% or more of the equity interests of transferor, or

  (c) both equity transferor and transferee's more than 80% equity directly or indirectly held by a third party, on condition that more than 50% (not inclusive) of the value of the Offshore Subsidiary is directly or indirectly derived from the immovable properties within PRC territory, such equity holding percentage will be 100%. Indirectly-held equity above should be calculated according to the product of the equity proportion held by each enterprise within the equity holding chain,

(ii) the corporate income tax imposed on the gains derived from the subsequent offshore indirect equity transfer transactions arising after the said Offshore Indirect Transfer will not be less than in such subsequent transactions as if without the occurrence of the said Offshore Indirect Transfer, and

(iii) such Offshore Indirect Transfer will be paid by the transferee with solely the equity interests (not including the listing shares) of such transferee or its subsidiaries.

However, if such Offshore Indirect Transfer fails to be considered for the reasonable business purpose under Section 6, Section 4 of Bulletin 7 sets forth the criteria that the Offshore Indirect Transfer will be straightforwardly considered without reasonable business purpose, meeting all the following factors:

(i) 75% or more of the value of the Offshore Subsidiary is directly or indirectly derived from PRC taxable properties,

(ii) at any time of or during 1 year ahead of such Offshore Indirect Transfer, 90% or more of the assets or turnover is derived within PRC,

(iii) the Offshore Subsidiary or its holding affiliates that directly or indirectly controls PRC taxable properties, despite due registration at its jurisdiction, can hardly perform duties or assume risks due to its lack of economic substance, and

(iv) the corporate income tax incurred in PRC from the Offshore Indirect Transfer is less than the direct transfer of PRC taxable properties.

FOREIGN EXCHANGE ADMINISTRATION

Pursuant to the Foreign Exchange Administration Regulations of the PRC（中華人民共和國外匯管理條例）promulgated on 29 January 1996 and amended on 14 January 1997 and 5 August 2008, and various regulations issued by the SAFE and other relevant PRC governmental authorities, international payments in foreign currencies and transfer of foreign currencies under current account items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies must repatriate foreign exchange payments received from abroad. FIE may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by the SAFE or its local counterpart. Unless otherwise approved, domestic enterprises must convert all of their foreign exchange receipts into RMB.

SAFE promulgated the Notice regarding Innovating Management Method of Foreign Exchange Capital Settlement of Foreign Invested Enterprise by SAFE（國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知）upon 30 March 2015. According to the said Notice, FIE capital will undertake willingness settlement. The FIE capital can be settled in the bank based upon the enterprise's actual needs after the confirmation of currency

contribution interests by the branch of SAFE (or booked to registration of dealing with currency contribution by bank) within the capital account of FIE. The use of capital of FIE shall abide by the principle of truth and self-use within the business scope of enterprise. The foreign exchange capital can be directly settled according to actual investment scope or RMB capital can be wiped into the account of the invested company within the account of settlement to be paid (結匯待支付賬戶). Concerning the FIE or bank violating this Notice for FIE capital settlement and use will be investigated and checked by SAFE in accordance with the Foreign Exchange Administration Regulations.

SAFE Circular No. 37

Pursuant to the SAFE Circular No. 37 and its schedules, promulgated and effective on 14 July 2014, a PRC individual resident or a PRC institution (together a PRC Resident) must register with the local SAFE branch before such PRC Resident contributes assets or equity interests to an overseas special purpose vehicle ("**SPV**") that such PRC resident establishes or controls at the first tier as a holding company for the purpose of conducting investment or financing.

When the overseas SPV under registration undergoes a material change, such as a change in the PRC individual resident as a member, corporate name, term and any other basic information, or a change in the share capital, transfer, swap, merger and acquisition or division, the PRC Resident must, after the occurrence of such event, register such change with the local SAFE branch in a timely manner.

The PRC individual resident as directors, supervisors, managers or employees must register with the local SAFE branch, before he/she executes the right under the employment stock option scheme of such pre-IPO overseas SPV, whereas the PRC resident shall register for their employment stock option scheme of an offshore listed company under other PRC relevant SAFE regulations than SAFE Circular No. 37. On 11 May 2015, Ms. Li and Mr. Tong, our Controlling Shareholder and Substantial Shareholder, respectively, filed and registered the foreign exchange record formula of overseas investment by domestic resident individuals with Jiangyin branch of SAFE in accordance with SAFE Circular No. 37.

SAFE Circular No. 13

Pursuant to the SAFE Circular 13, which was promulgated on 13 February 2015 and became effective on 1 June 2015, the foreign exchange registration under domestic direct investments and the foreign exchange registration under overseas direct investments will be directly reviewed and handled by banks in accordance with the SAFE Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

OUR CORPORATE HISTORY

The history of our Group can be traced back to 1992 when Mr. Tong Yu, who is the spouse of Ms. Li (the chairman of our Company, our executive Director and a Controlling Shareholder) and the father of Mr. Tong (the chief executive officer of our Company and our executive Director), became the legal representative of the predecessor of one of our principal operating subsidiaries, Jiangsu Snow Leopard. Both Ms. Li and Mr. Tong commenced to assume a management role in the predecessor of Jiangsu Snow Leopard in 1992 and 1994, respectively. Through a number of share transfers and allotments, immediately before our Reorganisation, each of Ms. Li and Mr. Tong indirectly owned 85% and 15% effective interest in Jiangsu Snow Leopard, respectively.

Ms. Li and Mr. Tong have extensive experience in the daily household industry in the PRC. In March 2002, with the approval of the relevant local authorities, the predecessor of Jiangsu Snow Leopard was converted to a limited liability company and Ms. Li and Mr. Tong, together with Mr. Tong Yu and Ms. Zhang Li, Mr. Tong's spouse, were invited to invest in an aggregate of 94% equity interest in Jiangsu Snow Leopard. Ms. Li and Mr. Tong, together with Mr. Tong Yu and Ms. Zhang Li, being confident in the prospect of the daily household industry at that time, decided to invest in Jiangsu Snow Leopard. The registered capital corresponding to their 94% equity interest in Jiangsu Snow Leopard was contributed by each of them respectively with his/her own personal savings accumulated from his/her previous employments and/or loans.

Please refer to the section headed "Directors, Senior Management and Staff" in this Prospectus for details of Ms. Li and Mr. Tong's experience in the daily household industry.

BUSINESS DEVELOPMENT

The following are the major developments and milestones of our Group to date:

1992	Mr. Tong Yu became legal representative of Jiangsu Snow Leopard
1998	Shanghai Snow Leopard was established in the PRC
2004	We started to manufacture and distribute functional toothpaste
2004	Our fe enzyme biological technology was accredited as a "National Torch Plan Project (國家火炬計劃項目)"
2005	Jiangsu Snow Leopard was recognised as a High and New Technology Enterprise (高新技術企業)
2008	Our "Xue Bao (雪豹)" brand was accredited as a Well-known Trademark of China (中國馳名商標)

2010	Jiangsu Snow Leopard established the Jiangsu Provincial Engineering and Research Center for High-Purity Biological Lysozyme and Protease Extracting and Application (江蘇省高純度生物溶菌蛋白酶製取與應用工程技術研究中心)
2012	Jiangsu Snow Leopard obtained the core patent for the production of our functional toothpaste – biological complex enzyme toothpaste and preparation method thereof (生物複合酶牙膏及其製備方法)
2012	We launched our "Fe Golden Classic Dentist (fe金典牙醫)" brand to market our functional toothpaste
2014	We started to construct our new office building and production base located at No. 35, Qiao Qi Ying Bin Avenue, Xiake Town (also known as Xuxiake Town), Jiangyin City, Jiangsu Province, PRC
2015	Our functional toothpaste was awarded as High and New Technology Product (高新技術產品)
2015	Our fe enzyme biological technology was once again accredited as a "National Torch Plan Project (國家火炬計劃項目)"
2015	Our "Fe Golden Classic Dentist (fe金典牙醫)" brand was accredited as "Well-known Trademark of Jiangsu Province (江蘇省著名商標)"

Details of the members of our Group and their respective major corporate history are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands on 29 July 2015. Upon completion of the Reorganisation, our Company became the holding company of our Group on 25 August 2015, details of which are set out in the section headed "History, Development and Reorganisation – Reorganisation" in this Prospectus.

OUR MAJOR OPERATING SUBSIDIARIES

Jiangsu Snow Leopard

The school-run factory of Jiangyin Province Yaosai Center Primary School* (江陰縣要塞中心小學校辦廠), the predecessor of Jiangsu Snow Leopard, was established in the PRC in November 1980 as a collectively owned school-run enterprise (the "**School-run Factory**") with a registered capital of RMB14,000. At the time of its establishment, the School-run Factory was principally engaged in the business of process and/or repair of rubber components and electronic machinery. The then head of factory and person in charge was Mr. Huang Kangde, an Independent Third Party save for being a former head of factory and person in charge of the School-run Factory. There were certain increase in registered capital, change of head of factory and appointment of legal representative, and until immediately

before the founding of our Group in 1992, the registered capital of the School-run Factory became RMB95,000 and its head of factory and legal representative was Mr. Ji Zhangrong. Mr. Ji Zhangrong was an Independent Third Party save for being a former head of factory and legal representative of the School-run Factory.

In October 1992, Mr. Tong Yu was appointed as the head of factory and legal representative of the School-run Factory, the registered capital of the School-run Factory was also increased from RMB95,000 to RMB388,000 for the purpose of increasing the working capital of the School-run Factory, and its principal business was changed to, among others, the manufacture of leather care polish, cleaners and whitening stain removers. At the same time, Ms. Li was also appointed as the deputy head of the School-run Factory.

In April 1994, the registered capital of the School-run Factory was further increased from RMB388,000 to RMB5,400,000 for the purpose of increasing the working capital of the School-run Factory.

Mr. Tong was appointed as a deputy business manager of the marketing department of the School-run Factory in April 1994.

In April 2001, the registered capital of the School-run Factory was further increased from RMB5,400,000 to RMB10,000,000 for the purpose of increasing the working capital of the School-run Factory. The registered capital was paid up by converting the undistributed profit in April 2001.

In December 2001, in accordance with the then government policy, Jiangyin District Chengjiang Town Collective Asset Management Committee*（江陰市澄江鎮集體資產管理委員會）approved the conversion of the School-run Factory to a limited liability company.

Pursuant to an enterprise property rights transfer agreement entered into between Mr. Tong Yu and Jiangyin District Yaosai Center Primary School*（江陰市要塞中心小學）on 4 January 2002, it was agreed, among others, that the School-run Factory be converted into a limited liability company with a registered capital of RMB15,000,000, which shall be paid up before 18 March 2002. Also, the assets owned by and debts owed to the School-run Factory were transferred to its successor (the limited liability company) at nil consideration.

The registered capital of RMB15,000,000 was fully paid up in February 2002, among which RMB14,930,000 was contributed in cash and RMB70,000 was contributed by the net assets of the School-run Factory owned by Mr. Tong Yu. The registered capital corresponding to the 94% equity interests of Mr. Tong Yu, Ms. Li, Mr. Tong and Ms. Zhang Li in Jiangsu Snow Leopard was contributed by each of them respectively with his/her own personal savings accumulated from his/her previous employments and/or loans. The equity holding structure of Jiangsu Snow Leopard and the registered capital of the equity holders were as follows:–

Name of equity holder(s)	**Registered capital** *RMB*	**Percentage**
Mr. Tong Yu *(Note 1)*	7,650,000	51%
Ms. Li *(Note 1)*	5,250,000	35%
Mr. Tong *(Note 1)*	900,000	6%
Ms. Zhang Li *(Note 1)*	300,000	2%
Mr. Yan Zhijian *(Note 2)*	300,000	2%
Mr. Zhu Hongjun *(Note 3)*	300,000	2%
Mr. Yu Gang *(Note 2)*	300,000	2%
Total	15,000,000	100%

Notes:

1. Mr. Tong Yu is the spouse of Ms. Li and the father of Mr. Tong, and Ms. Zhang Li is the spouse of Mr. Tong.

2. Mr. Yan Zhijian and Mr. Yu Gang are employees of our Group.

3. Mr. Zhu Hongjun is the spouse of Ms. Du Yongwei, our executive Director and cousin of Ms. Li.

In March 2002, Wuxi District Jiangyin Administration for Industry and Commerce（無錫市江陰工商行政管理局）issued a new business licence to Jiangsu Snow Leopard. At the time of establishment of Jiangsu Snow Leopard as a limited liability company, it was principally engaged in the manufacture of, among others, daily household products.

For the purpose of group reorganisation and due to the decision of Mr. Yan Zhijian, Mr. Zhu Hongjun and Mr. Yu Gang to realise their investments, Snow Leopard Technology as purchaser and Mr. Tong Yu, Ms. Li, Mr. Tong, Ms. Zhang Li, Mr. Yan Zhijian, Mr. Zhu Hongjun and Mr. Yu Gang as vendors (the "**Vendors**") entered into a share purchase agreement dated 21 December 2004, pursuant to which Snow Leopard Technology acquired the entire equity interest of Jiangsu Snow Leopard at an aggregate consideration of RMB15,930,000, which was determined with reference to the then net asset value of Jiangsu Snow Leopard. Only part of the consideration, being an aggregate of RMB15,000,000, was settled in or around March 2005. On 1 August 2015, the Vendors executed a written confirmation (the "**Written Confirmation**"), pursuant to which the Vendors waived their entitlement to demand the fulfilment of the obligation of Snow Leopard Technology to settle the remaining consideration of RMB930,000 and confirmed that they have no dispute as to

the consideration paid under the said agreement. As advised by our PRC Legal Advisers, (i) the Vendors waived their right to challenge the validity of such equity transfer under the said agreement pursuant to the Written Confirmation; (ii) the Vendors shall have no chance of success in any claim against Snow Leopard Technology in relation to the remaining consideration as the limitation period for civil legal action in the PRC has expired; (iii) such equity transfer is legally enforceable and valid under PRC laws; and (iv) the chance of Snow Leopard Technology being subject to any contingent liabilities or challenges in respect of its entitlement to its assets as a result of the non-payment of the remaining consideration is minimal. The Company confirmed that the remaining consideration of RMB930,000 will not be settled. Furthermore, for the purpose of increasing the working capital of Jiangsu Snow Leopard, its registered capital was increased from RMB15,000,000 to RMB15,680,000 in May 2005, which was fully paid in cash by Snow Leopard Technology in or around March 2005.

Wuxi District Jiangyin Administration for Industry and Commerce（無錫市江陰工商行政管理局）issued a new business licence to Jiangsu Snow Leopard in May 2005.

Immediately after the aforesaid equity transfers and increase in registered capital, Jiangsu Snow Leopard became a wholly foreign-owned enterprise with equity holding structure as follows:

Name of equity holder(s)	**Registered capital** *RMB*	**Percentage**
Snow Leopard Technology *(Note)*	15,680,000	100%
Total	15,680,000	100%

Note: Snow Leopard Technology was a company incorporated in the BVI with limited liability and was wholly-owned by Mr. Tong Yu at the material time. On 31 December 2010, the shareholding structure of Snow Leopard Technology changed and upon completion of the share transfer and allotments, Snow Leopard Technology was owned as to 85% by ChongBo Mary (a company wholly-owned by Ms. Li) and as to 15% by Tong Xing Holding (a company wholly-owned by Mr. Tong). For details, please refer to the section headed "Our major operating subsidiaries – Snow Leopard Technology" below in this section. Jiangsu Snow Leopard was indirectly owned as to 85% by Ms. Li and as to 15% by Mr. Tong immediately before the Reorganisation.

Our PRC Legal Advisers confirmed that the registered capital of Jiangsu Snow Leopard had been fully paid up, and the establishment, equity transfers and capital injections as described above had been approved by relevant competent authorities and were legally valid and effective.

Shanghai Snow Leopard

To further establish our Group's presence in the PRC, Shanghai Snow Leopard was established on 15 October 1998 as a limited liability company under the PRC laws for carrying on the business of trading of oral care products, leather care products and household hygiene products. The registered capital of RMB1,000,000 was fully paid up in October 1998. The equity holding structure of Shanghai Snow Leopard upon establishment was as follows:

Name of equity holder(s)	Registered capital *RMB*	Percentage
Jiangsu Snow Leopard	400,000	40%
Mr. Tong Yu *(Note 1)*	200,000	20%
Mr. Zhu Hongjun *(Note 2)*	200,000	20%
Ms. Du Hongwei *(Note 3)*	200,000	20%
Total	1,000,000	100%

Notes:

1. Mr. Tong Yu is the spouse of Ms. Li and the father of Mr. Tong.

2. Mr. Zhu Hongjun is the spouse of Ms. Du Yongwei, our executive Director and cousin of Ms. Li.

3. Ms. Du Hongwei is the sister of Ms. Du Yongwei, our executive Director and cousin of Ms. Li.

Jiangsu Snow Leopard as purchaser and Mr. Tong Yu, Mr. Zhu Hongjun and Ms. Du Hongwei as vendors entered into a share purchase agreement dated 19 August 2010 for the purpose of group reorganisation and due to the intention of Mr. Tong Yu, Mr. Zhu Hongjun and Ms. Du Hongwei to realise their investments in Shanghai Snow Leopard. Each of Mr. Tong Yu, Mr. Zhu Hongjun and Ms. Du Hongwei transferred their respective 20% equity interest in Shanghai Snow Leopard to Jiangsu Snow Leopard at a consideration of RMB200,000, which was determined with reference to the then paid-up capital of Shanghai Snow Leopard and was settled in or around August 2010.

Upon completion of the above equity transfers, the equity holding structure of Shanghai Snow Leopard was as follows:

Name of equity holder(s)	Registered capital *RMB*	Percentage
Jiangsu Snow Leopard	1,000,000	100%
Total	1,000,000	100%

Our PRC Legal Advisers confirmed that the registered capital of Shanghai Snow Leopard had been fully paid up, and the establishment and equity transfers as described above had been approved by relevant competent authorities and were legally valid and effective.

Shanghai Yaboshi

For the purpose of exploring possible business opportunities in relation to cosmetics, Shanghai Yaboshi was established on 17 May 2005 as a limited liability company under the PRC laws. The registered capital of RMB500,000 was fully paid up in May 2005. The equity holding structure of Shanghai Yaboshi upon establishment was as follows:

Name of equity holder(s)	Registered capital *RMB*	Percentage
Shanghai Snow Leopard	250,000	50%
Guangzhou Qiancai Cosmetic Company Limited* （廣州市倩采化妝品有限公司）*(Note)*	250,000	50%
Total	500,000	100%

Note: Guangzhou Qiancai Cosmetic Company Limited*（廣州市倩采化妝品有限公司）is an Independent Third Party.

Since the shareholders of Shanghai Yaboshi have not been able to agree on the development strategy of Shanghai Yaboshi, Shanghai Yaboshi has not commenced substantial operation and has not held any material asset (other than its registered capital) or had any liabilities since its establishment.

Given the operation period of Shanghai Yaboshi as provided in its business license had expired on 16 May 2015, the shareholders of Shanghai Yaboshi decided to dissolve Shanghai Yaboshi. An application for the dissolution of Shanghai Yaboshi was filed with the relevant government authority in August 2015. The dissolution of Shanghai Yaboshi was completed in October 2015.

Snow Leopard Technology

Snow Leopard Technology was a company incorporated in the BVI with limited liability on 5 August 2004 and was wholly-owned by Mr. Tong Yu at the time of incorporation. Snow Leopard Technology was an investment holding company.

On 31 December 2010, due to health reasons, Mr. Tong Yu decided to retire and transferred all his shareholding in Snow Leopard Technology to ChongBo Mary, a company wholly-owned by Ms. Li, our executive Director and the spouse of Mr. Tong Yu, at a consideration of US$1, which was determined with reference to the par value of the share.

The consideration was paid in or around December 2010. On the same date, Snow Leopard Technology issued and allotted 849 shares and 150 shares at par to ChongBo Mary and Tong Xing Holding, respectively.

Upon completion of the above share transfer and allotments, the shareholding structure of Snow Leopard Technology was as follows:–

Name of shareholder(s)	**Registered capital** *US$*	**Percentage**
ChongBo Mary *(Note 1)*	850	85%
Tong Xing Holding *(Note 2)*	150	15%
Total	1,000	100%

Notes:

1. A company wholly-owned by Ms. Li.

2. A company wholly-owned by Mr. Tong.

As part of the Reorganisation, on 25 August 2015, ChongBo Mary and Tong Xing Holding transferred all their shareholdings in Snow Leopard Technology to the Company, in consideration of which 2,125 Shares and 375 Shares, all credited as fully paid, were allotted and issued to ChongBo Mary and Tong Xing Holding, respectively.

Upon completion of the above share transfers and allotments, Snow Leopard Technology was wholly-owned by the Company.

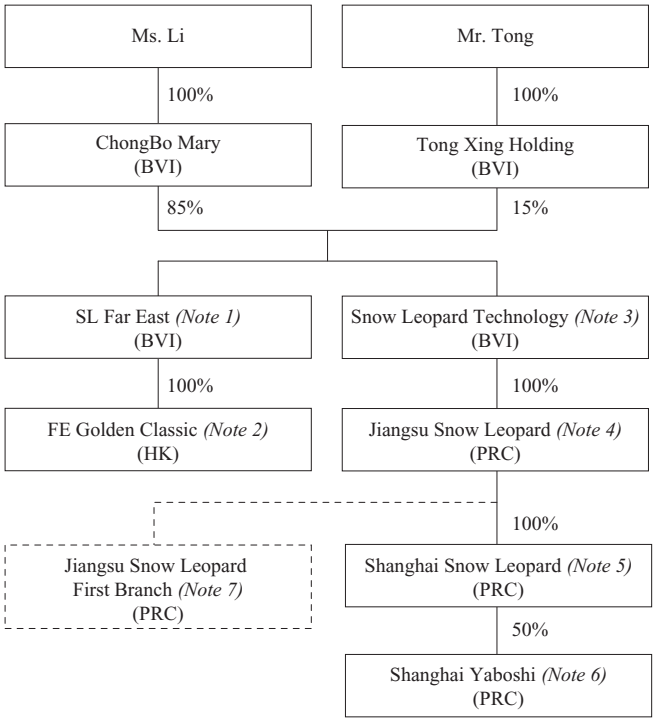
REORGANISATION

We completed the Reorganisation on 25 August 2015 in preparation for the Listing, pursuant to which our Company became holding company of our Group, and Ms. Li and Mr. Tong, through their personal companies, held 85% and 15% interest in our Company, respectively. Details of the Reorganisation are set out in the section headed "Appendix V – Statutory and General Information – A. Further Information about our Company – 4. Corporate reorganisation" to this Prospectus.

Our PRC Legal Advisers confirmed that our Group is not required to obtain any approvals, consents, licences and permits and is not required to effect any filings or recordation under the relevant PRC laws and regulations in connection with the Reorganisation.

THE CORPORATE STRUCTURE OF OUR GROUP

We set out below the corporate structure of our Group immediately before the Reorganisation:



Notes:

1. SL Far East is principally engaged in investment holding.

2. FE Golden Classic is principally engaged in investment holding and will be used for administrative purpose.

3. Snow Leopard Technology is principally engaged in investment holding.

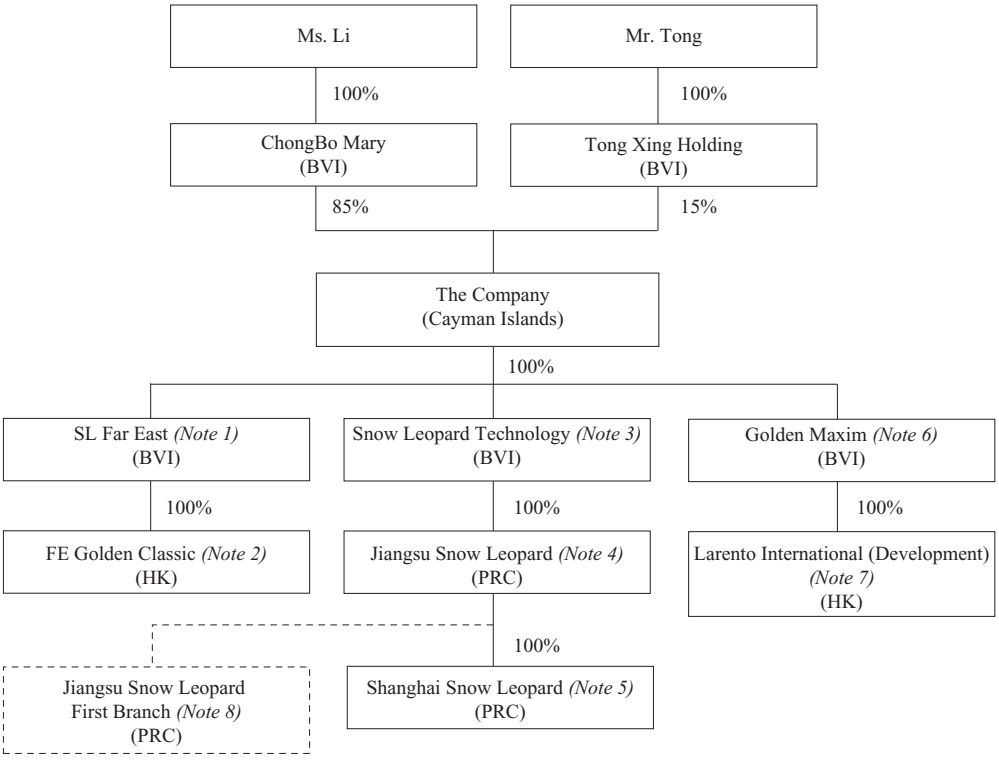
4. Jiangsu Snow Leopard is principally engaged in the manufacture of oral care products, leather care products and household hygiene products.

5. Shanghai Snow Leopard is principally engaged in the trading of, among others, daily household products.

6. The remaining 50% equity interest in Shanghai Yaboshi was owned by Guangzhou Qiancai Cosmetic Company Limited* (廣州市倩采化妝品有限公司), which is an Independent Third Party. Shanghai Yaboshi has not commenced business since its establishment and an application for the dissolution of Shanghai Yaboshi was filed in August 2015. The dissolution of Shanghai Yaboshi was completed in October 2015.

7. Jiangsu Snow Leopard First Branch is a branch office of Jiangsu Snow Leopard.

We set out below the corporate structure of our Group after completion of the Reorganisation but immediately before the Capitalisation Issue and the Placing:



Notes:

1. SL Far East is principally engaged in investment holding.

2. FE Golden Classic is principally engaged in investment holding and will be used for administrative purpose.

3. Snow Leopard Technology is principally engaged in investment holding.

4. Jiangsu Snow Leopard is principally engaged in the manufacture of oral care products, leather care products and household hygiene products.

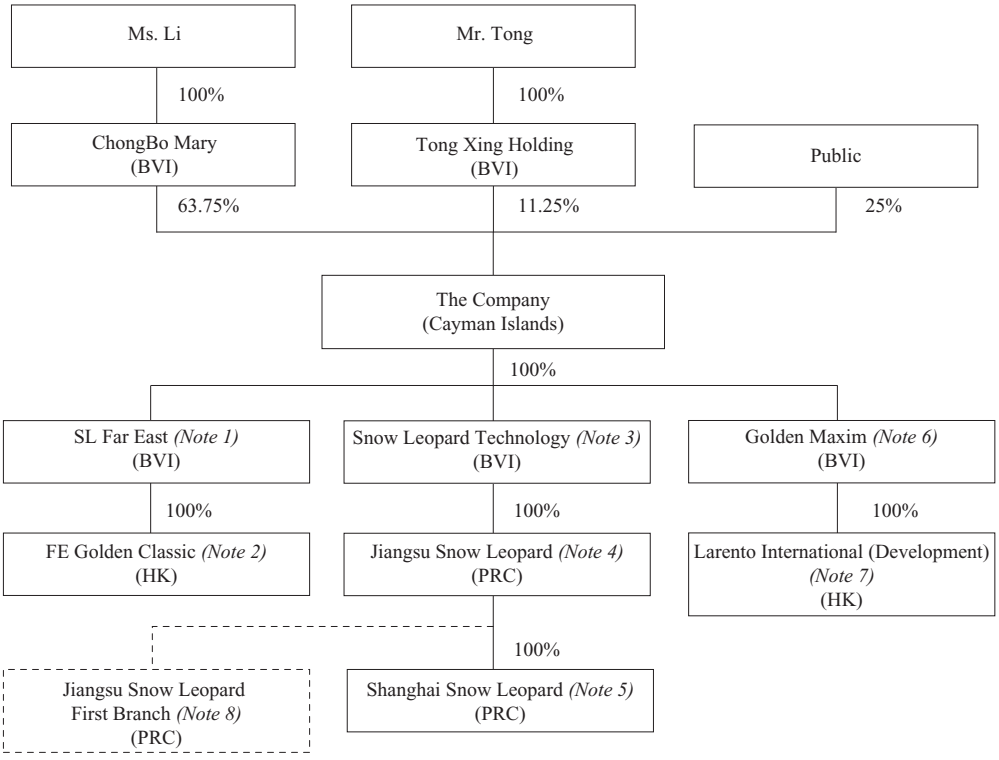
5. Shanghai Snow Leopard is principally engaged in the trading of, among others, daily household products.

6. Golden Maxim is principally engaged in investment holding.

7. Larento International (Development) is principally engaged in investment holding and will be used for administrative purpose.

8. Jiangsu Snow Leopard First Branch is a branch office of Jiangsu Snow Leopard.

We set out below the corporate structure of our Group after completion of the Reorganisation and immediately upon completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme):



Notes:

1. SL Far East is principally engaged in investment holding.

2. FE Golden Classic is principally engaged in investment holding and will be used for administrative purpose.

3. Snow Leopard Technology is principally engaged in investment holding.

4. Jiangsu Snow Leopard is principally engaged in the manufacture and trading of oral care products, leather care products and household hygiene products.

5. Shanghai Snow Leopard is principally engaged in the trading of oral care products, leather care products and household hygiene products.

6. Golden Maxim is principally engaged in investment holding.

7. Larento International (Development) is principally engaged in investment holding and will be used for administrative purpose.

8. Jiangsu Snow Leopard First Branch is a branch office of Jiangsu Snow Leopard.

PRC REGULATORY ISSUES RELATING TO THE REORGANISATION AND THE LISTING

Our PRC Legal Advisers have advised that Jiangsu Snow Leopard was acquired by Snow Leopard Technology in 2004 and the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors（關於外國投資者併購境內企業的規定）(the "**M&A Rules**") only became effective in September 2006. Accordingly, the M&A Rules are not applicable to the Reorganisation and the Listing and the Reorganisation and the Listing is not subject to the approval from the China Securities Regulatory Commission（中國證券監督管理委員會）.

Pursuant to SAFE Circular No. 37 and SAFE Circular No. 13, where the PRC residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. The PRC residents are also required to file changes to their registration where their offshore special purpose vehicles undergo material events such as the change of basic information including PRC resident, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division.

According to our PRC Legal Advisers, Ms. Li and Mr. Tong, as PRC residents, are required to register with the local SAFE branch. On 11 May 2015, Ms. Li and Mr. Tong completed the registration process under the SAFE Circular No. 37 and SAFE Circular No. 13.

OVERVIEW

Our Group is a daily household products producer in China with a strategic business focus on the production and sales of functional toothpaste. We principally produce and market the following types of daily household products under various brand names:

- Oral care products: including functional toothpaste, mouthwash, oral spray and toothbrush.
- Leather care products: including leather shoe care products and leather clothing care products.
- Household hygiene products: including surface cleaners, laundry care products, toilet care products and mould proof products.

According to the Industry Report, based on the retail sales values in 2015, we ranked the eighth largest company in the PRC functional toothpaste market[(Note 1)] having a market share of approximately 3.2% and the third largest company in the PRC leather care products market having a market share of approximately 9.4%. We market our oral care products principally under our "Fe Golden Classic Dentist (fe金典牙醫)" brand, a "Well-known Trademark of Jiangsu Province (江蘇省著名商標)" since 2015, and most of our leather care and household hygiene products under our "Xue Bao (雪豹)" brand, a "Well-known Trademark of China (中國馳名商標)" since 2008. Our other brands include "Larento (老人頭)", "Red Bull (紅牛)", and "Kaili (開利)". We also manufacture daily household products for our OEM customers which in turn market such products under their own brand names or resell them.

According to the Industry Report, Chinese consumers are becoming increasingly conscious of their oral health which, amongst others, has led to increased demand for functional toothpaste. We first started to manufacture and distribute functional toothpaste with fe enzyme biological technology in 2004. In order to enhance the brand image of our functional toothpaste, we launched the "Fe Golden Classic Dentist (fe金典牙醫)" brand to market our functional toothpaste in 2012. Building on our gained experience in the toothpaste market, we successfully perfected and applied the fe enzyme biological technology in developing functional toothpaste and obtained the patent of biological complex enzyme toothpaste and preparation method thereof (生物複合酶牙膏及其製備方法) from the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局) in 2012. Our fe enzyme biological technology was accredited as a "National Torch Plan Project (國家級火炬計劃項目)" [(Note 2)] by the Torch High Technology Industry Development Centre of

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Note 1: According to the Industry Report, based on the retail sales values in 2015, functional toothpaste market accounted for approximately 59.5% of the overall toothpaste market in the PRC.

Note 2: The "National Torch Plan Project" is a national plan approved by the Chinese government in 1988 to develop high-tech industries in China, to accelerate the commercialisation of the science and technology achievements, and to lead the development of science and technology towards economic construction. There are four streams under the National Torch Plan Project, which include (i) industrialisation environmental construction projects; (ii) industrialisation demonstration projects; (iii) innovative industrial clusters; and (iv) technology services systems. Our 2004 and 2015 applications were both under the industrialisation demonstration project stream. Criteria for such applications include technology feasibility, project materiality, market needs and risks, estimated investment and fund raising levels, economic and social effects, comprehensive strength and industrial basis, as well as the implementation progress of the relevant project.

the Ministry of Science and Technology of the PRC（中華人民共和國科學技術部火炬高技術產業開發中心）in 2004 and 2015 respectively as a recognition of our technology innovation, as well as our successful application of such technology into commercial products. As a result, for the 2015 reward, we were awarded with a government grant of RMB30,000. In 2015, the fe enzyme biological technology was further accredited as "Achievement of Science and Technology（科學技術成果）" by China High-tech Industrialisation Association（中國高科技產業化研究會）. The evaluation committee concluded that, among others, fe enzyme biological technology and its application in oral products is the first of its kind at home and abroad. Our functional toothpaste was tested and passed the clinical validation by various medical institutions, such as the Shanghai Institute of Stomatology（上海市口腔醫學研究所）and the Shanghai Ninth People's Hospital, Shanghai JiaoTong University School of Medicine（上海交通大學醫學院附屬第九人民醫院）. It was proven that our functional toothpaste could effectively suppress and prevent various oral problems and is safe for daily use. Our functional toothpaste was also awarded as "High and New Technology Product（高新技術產品）" in 2015 by the Jiangsu Provincial Department of Science and Technology（江蘇省科學技術廳）. For details of the specification of fe enzyme and the clinical studies, please refer to the paragraphs headed "Business – Specification of fe enzyme" and "Business – Clinical Studies on our Functional Toothpaste" in this Prospectus. Our oral care products segment, which principally comprises of functional toothpaste, experienced rapid growth from 2013 to 2015 and has become our core business segment. Turnover from functional toothpaste under our "Fe Golden Classic Dentist (fe金典牙醫)" brand increased by approximately 42.1% from approximately RMB55.8 million for the year ended 31 December 2013 to approximately RMB79.3 million for the year ended 31 December 2014 and further increased by approximately 52.2% to approximately RMB120.7 million for the year ended 31 December 2015.

We sell products under our own/licensed brands (i) to our distributors which then distribute and sell them to retailers and/or sub-distributors; and (ii) directly to retailers. In addition, we sell products to our OEM customers who in turn market such products under their own brand names or resell them.

For each of the years ended 31 December 2013, 2014 and 2015, we derived approximately 79.7%, 80.4% and 80.6% of our turnover from sales to our distributors, respectively and approximately 7.6%, 8.6% and 8.9% of our turnover from sales to our retailers, respectively. As at the Latest Practicable Date, we had (i) 491 distributors, through which we distribute our products to a broad range of retail stores such as hypermarkets, supermarkets, pharmacies and convenience stores covering 22 provinces, 4 municipalities and 4 autonomous regions in China; and (ii) 5 retailer customers, all of which are hypermarket/supermarket chains in China and offer our products in a total of over 1,000 retail outlets. Turnover generated from the sales of our OEM products represented approximately 11.2%, 9.3% and 8.8% of our total turnover for each of the years ended 31 December 2013, 2014 and 2015, respectively.

We have enjoyed growth in turnover and profitability from 2013 to 2015. Our turnover were approximately RMB198.5 million, RMB222.3 million and RMB283.1 million for each of the years ended 31 December 2013, 2014 and 2015 respectively. Our net profits were approximately RMB11.0 million, RMB17.1 million and RMB28.2 million for each of the years ended 31 December 2013, 2014 and 2015 respectively.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are based on a combination of the following competitive strengths:

Established brand names

We believe that brand recognition is crucial to our success in the consumer goods market in the PRC. We have a broad portfolio of consumer brands that are well accepted by our ultimate consumers. Our core proprietary brand, "Xue Bao (雪豹)", was awarded "Well-known Trademark of China (中國馳名商標)" since 2008. We also market our products under other brands include "Fe Golden Classic Dentist (fe金典牙醫)", a "Well-known Trademark of Jiangsu Province (江蘇省著名商標)" since 2015, for oral care products; "Larento (老人頭)", and "Red Bull (紅牛)" for leather care products; and "Kaili (開利)" for household hygiene products. As at the Latest Practicable Date, we had 191 key products under various brand names. Please refer to the paragraphs headed "Business – Our Products" and "Business – Awards and Certification" in this Prospectus for further details of our products and awards. We have implemented various marketing strategies to promote our brands, including television commercials, sponsorship of large events, advertising on newspaper, magazines and Internet, attending the China Beauty Expo (中國美容博覽會) as well as in-store promotional activities.

Our "Fe Golden Classic Dentist (fe金典牙醫)" brand is our flagship proprietary brand of our oral care products. We believe that as a result of our continued marketing and promotional efforts, our functional toothpaste under the "Fe Golden Classic Dentist (fe金典牙醫)" brand has gained wide recognition and acceptance in the PRC market, especially among those having oral health problems. Turnover from functional toothpaste under our "Fe Golden Classic Dentist (fe金典牙醫)" brand increased by approximately 42.1% from approximately RMB55.8 million for the year ended 31 December 2013 to approximately RMB79.3 million for the year ended 31 December 2014 and further increased by approximately 52.2% to approximately RMB120.7 million for the year ended 31 December 2015.

Strong research and development capabilities

We believe our product development capacity has offered us a competitive edge to capture new market opportunities and continue to be a key player in the daily household products industry.

As at the Latest Practicable Date, we had a dedicated research and development team of 10 people, led by Mr. Xu Zhiliang, responsible for conducting research and development programs of our new products and improving the quality and design of our existing products. In 2010, with the approval of Jiangsu Department of Science and Technology (江蘇省科學技術廳) and Jiangsu Department of Finance (江蘇省財政廳), we have established the Jiangsu Provincial Engineering and Research Center for High-Purity Biological Lysozyme and Protease Extracting and Application (江蘇省高純度生物溶菌蛋白酶製取與應用工程技術研究中心).

As at the Latest Practicable Date, we had registered (i) 34 patents in the PRC, which include 10 invention patents and 24 utility model patents; (ii) 196 trademarks in the PRC[(Note)]; and (iii) 8 trademarks in Hong Kong. For further details of our intellectual property rights, please refer to the paragraphs headed "Business – Research and Development" and "Appendix V – Statutory and General Information – B. Further information about the business – 2. Intellectual property rights of our Group" to this Prospectus.

For each of the years ended 31 December 2013, 2014 and 2015, our research and development team has successfully developed and launched 16, 24 and 21 new products, respectively. We will continue to diversify our product offerings and upgrade our existing products to capture the market trends and customer preference.

Stringent quality and safety control

We believe the ability to provide high quality and safe product is essential to our long-term development in the daily household products market in the PRC. Therefore, we place strong emphasis on the quality and safe control of our products. As at the Latest Practicable Date, we had a dedicated quality control team of 9 members who have an average industry experience of approximate 8 years responsible for closely monitoring our production process, equipment and machinery in accordance with our quality control policies. As advised by our PRC Legal Advisers, we have obtained all the permits, licenses and approvals as required for the operation of our business and we have strictly complied with the relevant laws and regulations concerning production safety during the Track Record Period. We also maintain quality control of the design, development and production procedure of our products in conformity to the internationally applied quality management system requirement – ISO9001:2008. We were accredited by the certification body recognised by AQSIQ since 2003 and we have been implementing the relevant national standards and industry standards for our products.

Further, we will send our products to the relevant product quality supervision and testing institutions for testing (i) before we introduce new products to the market and (ii) on an annual basis. In addition, we engaged several reputable medical institutions to conduct clinical study, toxicity test and irritation test on our functional toothpaste to further ensure the safety and efficacy of our functional toothpaste. We have also adopted stringent quality control and inspection policies on the raw materials and packaging materials we purchase from our suppliers. Our quality control staff conduct regular checks throughout our production process to ensure full compliance with our internal quality standards and those set by the PRC government. For further information, please refer to the paragraphs headed "Business – Clinical Studies on our Functional Toothpaste" and "Business – Quality and safety control" in the Prospectus.

Note: In order to (i) consolidate our existing brands and focus on the promotion of our core brand names; (ii) enhance our internal trademark management by reducing repetitive trademarks; and (iii) avoid unnecessary trademark disputes, we have applied for the deregistration of 97 trademarks and the transfer of 48 trademarks in the PRC. As at the Latest Practicable Date, our applications for deregistration and transfer are still under review by the relevant trademark authorities.

Extensive sales network

We sell products under our own/licensed brands through an extensive and established network of distributors and retailers in China. As at the Latest Practicable Date, we had (i) 491 distributors, through which we distribute our products to a broad range of retail stores such as hypermarkets, supermarkets, pharmacies and convenience stores covering 22 provinces, 4 municipalities and 4 autonomous regions in China; and (ii) 5 retailer customers, all of which are hypermarket/supermarket chains in China and offer our products in a total of over 1,000 retail outlets in China.

The continual expansion of our distribution network has accelerated the penetration of our brands and strengthened the sales of our products. We believe our distribution network allows us to increase our ability to launch new products in the new markets within a relatively short time period.

We generally require our distributors to have an extensive distribution network, sufficient warehousing facilities, stable financial condition, good creditworthiness, strong delivery capabilities and compatibility with our business strategies, and we select our retailers on the basis of retail network, inventory management system, stable financial condition and compatibility with our business strategies to ensure that their addition to our network brings positive sales results.

As at the Latest Practicable Date, we had a sales team of 104 staff comprising of 5 sales directors, 6 regional managers, 17 provincial managers and 76 general sales persons. We believe that the strengths and depths of our network of distributors and retailers, coupled with our team of sales managers and salespersons well trained by us and familiar with our products and marketing strategies, provide us with strong coverage for our products in China and give us the ability to roll out new products and brands efficiently and effectively.

Management team with extensive experience and industry knowledge

The executive Directors and the senior management of our Group have extensive experience and knowledge in the daily household product industry in the PRC. Ms. Li, Mr. Tong, Ms. Du Yongwei and Mr. Xu Zhiliang have over 20 years of work experience in the daily household product industry and 5 members of our management team have received tertiary education. We believe that our management team has a proven track record of identifying market opportunities, developing and manufacturing quality products, executing business strategies, guiding our expansion into high growth areas and delivering consistent growth and profitability. We believe that our management team is able to continue to formulate appropriate production, sales and marketing, research and development strategies to capture business opportunities in the changing consumer preferences and market environment and lead our Group to achieve future success. Please refer to the section headed "Directors, Senior Management and Staff" in this Prospectus for biographies of our management team.

BUSINESS STRATEGIES

We intend to maintain and strengthen our overall competitiveness and business growth in China and develop our business in overseas market. We intend to achieve this goal by implementation of the following strategies. Please also refer to the section headed "Statement of Business Objectives and Use of Proceeds" in this Prospectus for details of our implementation plans.

Strengthen the leading position of our brands in the PRC market

Our Directors believe that we have successfully built up recognition and image of our brands, in particular, our "Xue Bao (雪豹)" brand and "Fe Golden Classic Dentist (fe金典牙醫)" brand. We will therefore continue to strengthen the market position of our key brands and place a particular focus on the oral care product segment through our marketing and advertisement efforts.

To strengthen our overall competitiveness and business growth in the PRC, we have implemented various marketing campaigns. Some highlights of our marketing activities include:

- we have been a participant in the China Beauty Expo (中國美容博覽會);
- we have placed advertisements through various media and channels, such as television commercials in major television stations including China Central Television (中國中央電視台), China Education Television (中國教育電視台) and the Travel Channel (旅遊衛視); and
- we have sponsored the second season of the program known as One Belt One Road – the New Silk Road and the New Dream (一帶一路 – 新絲路新夢想) produced by the Xinhua News Agency (新華社) to promote our oral care products.

In addition, we plan to further strengthen our business growth by continuously enhancing our brand values. In 2015, we strategically re-positioned our "Larento (老人頭)" brand as a high-end leather care brand through more staff inputs and marketing activities.

We plan to continue these marketing activities and advertising as well as host product introduction seminars and sales training programs for the frontline sales personnels to better understand and promote our products.

We also aim to further utilise our experience in applying fe enzyme biological technology in developing other daily household products in a manner complementary to our current product portfolio.

Strengthen our relationship with existing distributors and retailers and expand our sales network

Our distribution network is crucial to the success of our business. We strive to maintain good relationship with our existing distributors and retailers and continuously leverage on their network and/or increase of point of sales to expand our geographical coverage. We plan to enhance the management of our sales to distributors by further utilising our new electronic system through which our distributors could place orders and track order status and historical transaction information. Such system allows us to better monitor our distributors' performance and increase the administrative efficiency. We also intend to visit the distributors more frequently and provide training to our distributors to enhance their understanding of our products and sales strategy. In addition, we plan to expand our distribution network to cities where we do not currently have a presence by engaging additional distributors with local knowledge and established sales networks, with a view to further increasing our market share and deepening our market penetration in the PRC. In addition, we also plan to further leverage modern sales channels such as internet and mobile e-commerce platforms to increase the penetration of our products.

Expand our production and warehousing capacity

In anticipation of our continued growth of business, we plan to increase our production and warehousing capacity by constructing new production workshop and warehouse located at our production base in Jiangyin City, Jiangsu Province, the PRC. As the utilisation rate of our oral care products had been high during the Track Record Period, we intend to install new machinery and equipment for the production of oral care products at our new production workshop. The new production workshop is already under construction and is expected to be completed and commence production in the third quarter of 2016. We are in the process of conducting feasibility study for the construction of the new warehouse and we intend to commence the construction work in the third quarter of 2016 and the construction work is expected to be completed in the second quarter of 2017.

In addition to increasing our production capacity, we also intend to expand our business to cover the production of fe enzyme, a key raw material in the manufacturing of our functional toothpaste, in order to further increase our operational flexibility and reduce costs. We have mastered the relevant techniques for fe enzyme production and applied for patent registration of such techniques in April 2015. We have also made plans for procurement of the relevant production facilities based on our carefully designed production capacity and designed personnel allocation and recruitment plans to support such expansion of production. The capital expenditure for the relevant equipment and machinery is estimated to be approximately RMB2.7 million. It is expected that the relevant production facilities for the manufacturing of fe enzyme will be installed and tested in the third quarter of 2016 and be put into production in the fourth quarter of 2016.

Strengthen our product research and development capabilities

We believe our long-term success and growth will largely depend on our ability to improve our existing products and develop new products which meet consumers' needs and the changing market trend. According to the Industry Report, the Chinese oral care market

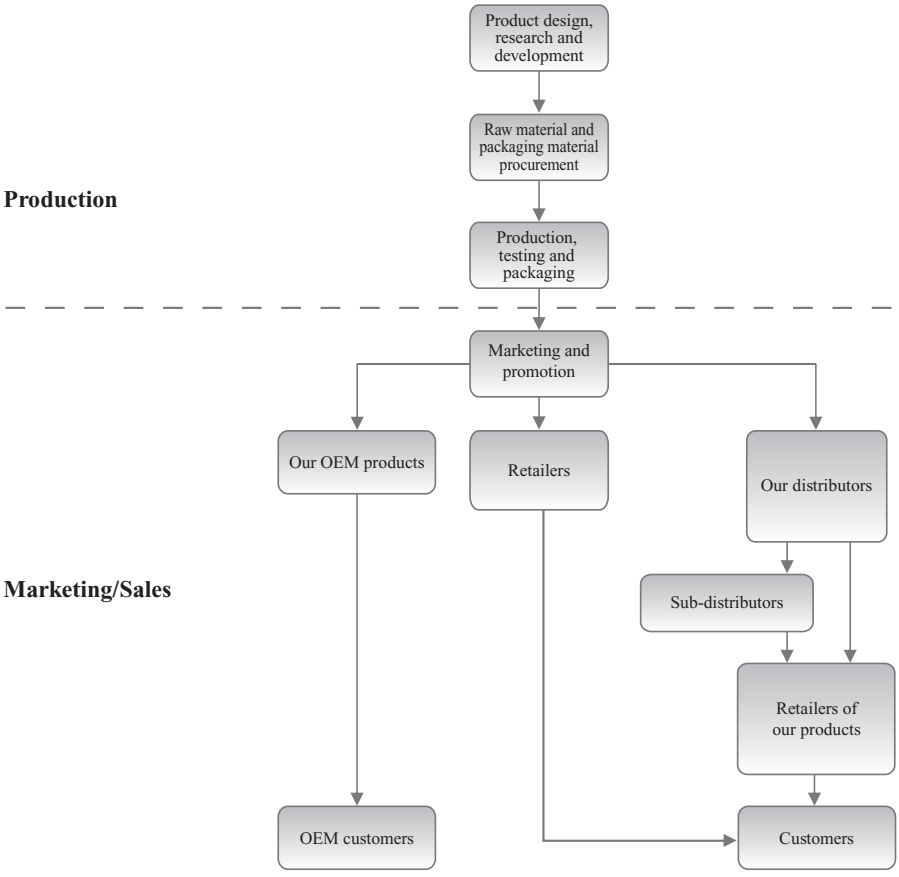
has been growing rapidly as people in China are becoming increasingly conscious of their oral health and interested in products with functional benefits. To strengthen the overall competitiveness of our oral care products and meet the market trend, we will continue to invest and leverage on our strong research and development capability and apply our expertise and experience in the research and development of fe enzyme biological technology to expand our product offerings. For further details relating to our Group's new research and development projects, please refer to the section headed "Business – Research and Development" in this Prospectus. We have also constructed a new research and development centre in our production base in Jiangyin City, Jiangsu Province, the PRC. The construction work is expected to be completed in the third quarter of 2016 and the centre is expected to be put in use following the completion of construction.

Recruit and retain talent

We believe that successful implementation of our growth and business strategies will depend upon experienced, motivated and well-trained employees at all levels. We intend to recruit and retain talented individuals in the industry by providing attractive remuneration packages and well-designed training programs to our personnel. We offer our employees a range of incentives, including but not limited to rights to participate in Share Option Scheme (details of which are set out in the section headed "Appendix V – Statutory and General Information – D. Share Option Scheme" to this Prospectus) and join various training programs such as seminars on product knowledge, marketing skill, financial techniques, activity planning for marketing personnel, seminars on production knowledge, machinery operation, workplace safety for production personnel as well as free continuing education programs sponsored by us (details of which are set out in the section headed "Business – Employees" in this Prospectus) to encourage loyalty of our employees and to promote a customer-focused corporate culture.

OUR BUSINESS MODEL

The following diagram illustrates our business model:



OUR PRODUCTS

We manufacture and market a wide range of daily household products. Our products comprise three main categories: (i) oral care products; (ii) leather care products; and (iii) household hygiene products.

The following table sets out the breakdown of our turnover and percentage of turnover by each product category for each of the years ended 31 December 2013, 2014 and 2015, respectively.

	Year ended 31 December					
	2013		2014		2015	
	Amount (RMB'000)	*% of total turnover*	*Amount (RMB'000)*	*% of total turnover*	*Amount (RMB'000)*	*% of total turnover*
Products under our own/licensed brands						
Oral care products	56,224	28.3	80,206	36.1	123,172	43.5
Leather care products	62,548	31.6	54,713	24.5	56,378	19.9
Household hygiene products	55,234	27.8	63,465	28.6	76,867	27.2
Others *(Note)*	2,212	1.1	3,309	1.5	1,697	0.6
Subtotal	176,218	88.8	201,693	90.7	258,114	91.2
OEM products	22,279	11.2	20,575	9.3	24,987	8.8
Total	198,497	100.0	222,268	100.0	283,101	100.0

Note: Others mainly represent industrial hygiene products.

Turnover of oral care products was the largest component of our total turnover for the years ended 31 December 2013, 2014 and 2015. Our Directors believe that oral care products will continue to provide the major growth potential in the future and will remain as the focus of our marketing and sales strategies.

The following table sets out the sales volume and average selling price of our key products under our own/licensed brands for each of the years ended 31 December 2013, 2014 and 2015:

	Year ended 31 December					
	2013		2014		2015	
Key products	**Sales volume** *(ton)*	**Average selling price** *(RMB'000/ ton)*	**Sales volume** *(ton)*	**Average selling price** *(RMB'000/ ton)*	**Sales volume** *(ton)*	**Average selling price** *(RMB'000/ ton)*
Functional toothpaste	1,972	28.3	2,509	31.6	2,758	43.8
Surface cleaner	3,412	9.7	4,685	10.0	6,326	11.6
Shoe polish	2,046	28.9	1,829	28.7	1,664	26.9

Oral care products

We market and sell our oral care products principally under our "Fe Golden Classic Dentist (fe金典牙醫)" brand. We currently have four oral care product series among which functional toothpaste is our key product series. Other oral care products marketed by us included mouthwash, oral spray and toothbrush.

The following table sets out our key oral care products during the Track Record Period:

Brand	**Key product series**	**No. of products within the key products series**	**Key products**	**Year of launch of the key products**	**Retail price of the key products** *(RMB)*	**Sample picture of the key products**
fe金典牙医	Functional toothpaste	52	100g x 2 + 50g fe Index 9.1 – nine-major functions day & night toothpastes + teeth-whitening oral spray set（100克 x 2 + 50克酶指數9.1九大功效早晚牙膏+牙白靈組合装）	2012	49.8	
			90g + 35g fe Index 8.8 – improving gum-bleeding toothpaste（90克 + 35克酶指數8.8改善牙齦出血牙膏）	2012	25.8	

Brand	Key product series	No. of products within the key products series	Key products	Year of launch of the key products	Retail price of the key products *(RMB)*	Sample picture of the key products
			60g x 2 fe Index 8.8 – children day & night toothpaste set（60克 x 2 酶指數8.8兒童早晚牙膏組合裝）	2012	35.9	
			105g fe Index 4.5 – biological teeth-strengthen toothpaste（105克酶指數4.5生物固齒牙膏）	2012	14.8	
			105g x 2 fe Index 3.2 – biological whitening and gingiva-protection day & night toothpaste set（105克 x 2 酶指數3.2生物炫白+護齦早晚牙膏組合裝）	2012	22.8	
fe金典牙医	Mouthwash	4	250ml fe enzyme mouthwash (250毫升 fe生物酶漱口水)	2012	20.8	
fe 金典牙医	Oral spray	2	fe oral spray & toothpaste set (fe口噴牙膏組合裝)	2014	39.8	
金典牙医	Toothbrush	10	Extra-soft teeth-protection toothbrush（特柔護齒牙刷）	2014	24.8	

Brand	Key product series	No. of products within the key products series	Key products	Year of launch of the key products	Retail price of the key products *(RMB)*	Sample picture of the key products
			Children teeth-protection toothbrush（兒童護齒牙刷）	2014	20.8	

Specification of fe enzyme

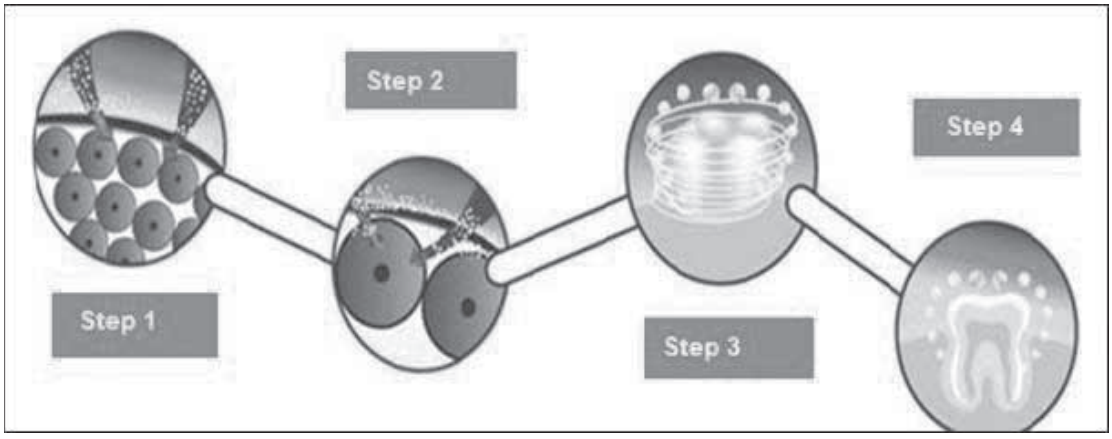
Fe enzyme is a key ingredient used in our functional toothpaste. It has the unique function of antiphlogosis, detumescence, pain relief and tissue repairing. In addition to its usage in oral care products, such as toothpaste, mouth spray and mouthwash, fe enzyme may also be applied in other products such as facial mask and facial cream, and lotion for infants and women. Fe enzyme was originally developed by a renowned university in Shanghai, the PRC and is named after the prefixes of this university and enzyme. We have developed a long term co-operation relationship with this university since 2001, whereby the professors and researchers of this university have been providing technical advice and support to our Group.

We successfully perfected and applied the fe enzyme biological technology in developing and producing our functional toothpaste. In 2012, we obtained the patent of biological complex enzyme toothpaste and preparation method thereof（生物複合酶牙膏及其製備方法）from the State Intellectual Property Office of the PRC（中華人民共和國國家知識產權局）. We further expanded the fe enzyme biological technology to our oral spray products, and obtained the patent of a complex lysozyme oral spray agent and preparation method thereof （一種複合溶菌酶口腔噴霧劑及其製備方法） in 2015. We have also applied for registration of the patent of a biological lysozyme compound and preparation method thereof（一種生物溶菌酶複合製劑及其製備方法）, the technique for fe enzyme's production, in April 2015. For further details of the patents in relation to the fe enzyme that we have registered and applied for registration, please refer to the section headed "Appendix V – Statutory and General Information – B. Further information about the business – 2. Intellectual property rights of our Group" in the Prospectus.

To the best knowledge of our Directors, as at the Latest Practicable Date, we are not aware of any other individuals or entities which hold patents in connection with fe enzyme or manufacture toothpaste applying the fe enzyme biological technology and we are not

required to pay any royalty or fee for the use of the fe enzyme. Given the abovementioned reasons, our Directors believe that the likelihood of fe enzyme technology being used by our competitors is low. For further details of our purchase of fe enzyme, please refer to the section headed "Business – Procurement and our suppliers – Supply of fe enzyme" in this Prospectus.

The following diagram shows the anti-bacterial mechanism of fe enzyme:



Note:

Step 1: The active factors of fe enzyme penetrate the cell wall of certain types of bacteria.

Step 2: The active factors of fe enzyme dissolve peptidoglycan in the cell walls of the bacteria, resulting in the phenomenon of bacteriolysis.

Step 3: The bacteria are disintegrated and removed from the surface of the teeth or oral cavity.

Step 4: The active factors of fe enzyme also perform tissue repairing in the damaged parts of the oral cavity.

In 2015, the fe enzyme biological technology was accredited as "Achievement of Science and Technology (科學技術成果)" by China High-tech Industrialisation Association (中國高科技產業化研究會). In the evaluation report, the evaluation committee concluded that, among others, (i) fe enzyme and its applications, which include toothpaste and oral spray, are proved to be antibacterial and safe; and (ii) fe enzyme biological technology and its application in oral products is the first of its kind at home and abroad; (iii) the production technology of fe enzyme products has achieved nationally leading status, with part of the production technology reaching internationally advanced level. In 2009, we also engaged the Shanghai Municipal Centre for Disease Control and Prevention (上海市疾病預防控制中心), the Shanghai Institutes of Preventive Medicine (上海市預防醫學研究院) and the Shanghai Disease Control, Safety and Health Care Evaluation Centre (上海疾控安全健康保健評價中心) to conduct a study on hamsters to evaluate the toxicity and mutagenicity of fe enzyme and whether fe enzyme will cause chromosome damage. According to the report, it was found that fe enzyme is non-toxic, non-mutagenic and will not cause damage to chromosome.

Impact of the changes in the existing PRC laws and regulations on our functional toothpaste

In order to strengthen the regulation on cosmetic products, CFDA issued the Regulation on Supervision and Administration of Cosmetics (draft for consultation)（化妝品監督管理條例(徵求意見稿)）on 8 November 2014 and certain subsidiary guidelines subsequently. On 20 July 2015, the Legislative Affairs Office of the State Council of the PRC（國務院法制辦公室）started to solicit public comments on the Regulation on Supervision and Administration of Cosmetics (Revised draft for review)（化妝品監督管理條例(修訂草案送審稿)）submitted by CFDA (altogether, the "**Proposed Regulations**").

Under the Proposed Regulations, toothpaste is formally categorised as cosmetic product and may therefore subject to new and more stringent rules. The Proposed Regulations require, amongst other things, that the raw materials of cosmetic products either have to fall within a prescribed list of permitted/restricted materials promulgated by CFDA or be approved or filed with the competent authorises before being used. We believe and our PRC Legal Advisers concur that the risk of the components of fe enzyme falling into restricted or prohibited list under the Proposed Regulations is remote because (i) as advised by our PRC Legal Advisers, the components of fe enzyme fall into the current prescribed list of permitted materials for the manufacture of cosmetic products; and (ii) studies have shown that fe enzyme was effective and nontoxic. Therefore, we believe that the Proposed Regulations will not have material adverse effect on the usage of fe enzyme in the manufacturing of our functional toothpaste.

For more information about the Proposed Regulations, please refer to the section headed "Regulations – Rules Relating to Our Products – Toothpaste" in this Prospectus.

Clinical studies on our functional toothpaste

To ensure the safety and efficacy of fe enzyme's application in our toothpaste products, we engaged several medical institutions to conduct clinical study, toxicity test and irritation test on our functional toothpaste.

In 2009, we engaged the Shanghai Institute of Stomatology（上海市口腔研究所）to conduct a clinical study to evaluate the efficacy and safety of our functional toothpaste. The study period was 6 months and it involved 160 participants aged between 21 and 48. The participants were equally divided into a control group and a trial group, where the control group was provided with toothpaste without any biological enzyme while the trial group was provided with our functional toothpaste. According to the clinical report, it was found that the test result of the trial group was significantly better than that of the control group because our functional toothpaste could effectively suppress and prevent oral problems such as teeth bleeding, periodontitis and gingivitis, improve periodontal health and whiten teeth.

In 2009, we also engaged the Shanghai Municipal Centre for Disease Control and Prevention（上海市疾病預防控制中心), the Shanghai Institutes of Preventive Medicine（上海市預防醫學研究院）and the Shanghai Disease Control, Safety and Health Care Evaluation Centre（上海疾控安全健康保健評價中心）to conduct a study on hamsters to evaluate the

toxicity and the oral mucosa stimulation of our functional toothpaste. According to the report, it was found that our functional toothpaste was nontoxic and of very light oral mucosa stimulation.

In 2012 and 2015, we engaged the Shanghai Ninth People's Hospital, Shanghai JiaoTong University School of Medicine（上海交通大學醫學院附屬第九人民醫院）to conduct clinical studies to further verify the anti-cavity effect and aphthous ulcer treatment effect of our functional toothpaste. The clinical study conducted in 2012 involved 70 participants over a period of eight weeks while the clinical study conducted in 2015 involved 71 participants over a period of 12 weeks. The participants were divided into a control group and a trial group, where the control group was provided with toothpaste without any biological enzyme while the trial group was provided with our functional toothpaste during the study period. The clinical study conducted in 2012 showed that our functional toothpaste has the effect of reducing dentin hypersensitivity, is safe to use and does not cause any negative effects. Similarly, the clinical study conducted in 2015 showed that our functional toothpaste is safe to use and has the effect of easing mouth ulcers, facilitating the healing of mouth ulcers, repairing damaged oral mucosa, and reducing recurrent of oral ulcers.

Leather care products

We market and sell our leather care products primarily under our "Xue Bao (雪豹)", "Larento (老人頭)" and "Red Bull (紅牛)" brands. "Larento (老人頭)" brand is our licensed brand whereby we have been granted an exclusive licence to use the "Larento (老人頭)" brand and the relevant trademark in respect of leather care products since 2012. We currently have 5 key leather care product series. The following table sets forth our key leather care products during the Track Record Period:

Brand	Key product series	No. of products within the key product series	Key products	Year of launch of the key products	Retail price of the key products *(RMB)*	Sample picture of the key products
雪豹	Leather care cream	16	35.5g supreme water-proof shoe cream (35.5克超級防水鞋油)	2005	2.8	
雪豹	Liquid leather care polish	10	75ml liquid shoe polish (75毫升液體鞋油)	Before 2004	6.5	
雪豹	Leather coat care	6	90ml advanced leather coat liquid polish (90毫升高級皮衣上光液)	Before 2004	9.8	
	Leather care cream	8	60g genuine leather shiny care nourishing oil (60克真皮美容滋養油)	2005	12.8	
	Liquid leather care polish	10	75ml advanced liquid shoe polish (75毫升高級液體鞋油)	2005	12.8	

In August and September 2015, we launched a number of new high-end leather care products under the "Larento (老人頭)" brand including nourishing oil, nourishing cream and cleaner for high-end leather products such as leather coat and leather bag (the "**New Products**"). The New Products were targeted at high-end market while our existing leather care products were mainly targeted at low-to-mid end consumers. The retail prices of the New Products ranged from RMB19.8 to RMB49.9, which were substantially higher than the retail prices of our then existing major leather care products, which ranged from RMB2.8 to RMB12.8. As such, our Directors consider that the New Products launched by the Group

will not adversely affect the sales of its existing products due to cannibalisation of sales. Our Directors believe that the launch of the New Products could not only broaden our product portfolio but further enhance our competitiveness and financial performance as well.

Household hygiene products

We market and sell our household hygiene products under our "Xue Bao (雪豹)" and "Kaili (開利)" brands. We currently have 4 key household hygiene product series. The following table sets forth our key household hygiene products during the Track Record Period.

Brand	Key product series	No. of products within the key product series	Key products	Year of launch of the key products	Retail price of the key products *(RMB)*	Sample picture of the key products
雪豹	Surface cleaner	9	400g x 2 hand grenade powerful oil contamination resistance agent (400克 x 2手榴彈強力型油污淨)	2004	19.8	
雪豹	Laundry care	26	2kg laundry detergent (2公斤洗衣液)	2009	52.8	
			300g down coat detergent (300克羽絨服洗滌劑)	Before 2004	10.9	
			600g underwear detergent (600克內衣洗滌劑)	Before 2004	17.8	

Brand	Key product series	No. of products within the key product series	Key products	Year of launch of the key products	Retail price of the key products *(RMB)*	Sample picture of the key products
雪豹	Toilet care	20	50g x 2 magic blue clean toilet cleaner (50克 x 2藍潔沖廁靈)	Before 2004	9.2	
			500g clean & fragrant scouring powder (500克淨香去污粉)	Before 2004	3.9	
開利	Mould proof	10	150g mound-proof mildew-proof camphor ball (150克防蛀防霉球劑)	2005	12.5	

OEM Products

Apart from marketing and selling daily household products under our own/licensed brands, we also manufacture daily household products for our customers in the PRC and overseas under OEM arrangements. Our OEM products primarily include toothpaste and surface cleaners. Our turnover generated from the sales of our OEM products represented approximately 11.2%, 9.3% and 8.8% of our total turnover for each of the years ended 31 December 2013, 2014 and 2015, respectively. In order to maintain our relationships with our OEM customers, we will continue our OEM business and will accept orders if it is in the interest of our Group.

PRODUCTION PREMISES AND PRODUCTION CAPACITY

During the Track Record Period, we principally carried out our production activities at our production base located in Jiangyin City, Jiangsu Province, the PRC. Properties located at our production base include production workshops, warehouses, office buildings and other ancillary buildings. The following chart sets out the details of our production workshops:

Location	Gross floor area *(sq.m)*	Principal Usage
No. 34, Qiao Qi Ying Bin Avenue, Xiake Town (also known as Xuxiake Town), Jiangyin City, Jiangsu Province, PRC	17,656.38	leather care products workshop
No. 35, Qiao Qi Ying Bin Avenue, Xiake Town (also known as Xuxiake Town), Jiangyin City, Jiangsu Province, PRC	6,535.71	oral care products workshop
No. 35, Qiao Qi Ying Bin Avenue, Xiake Town (also known as Xuxiake Town), Jiangyin City, Jiangsu Province, PRC	10,603.4	household hygiene products workshop

Further details of the above are set out in Appendix III – "Property Valuation" to this Prospectus.

Our PRC Legal Advisers have confirmed that we hold valid building ownership certificates of and own the right to occupy, use, benefit from and dispose of all the above properties.

The following table sets forth our major production facilities as at the Latest Practicable Date and the maximum production capacity, actual production volume and utilisation rate of our oral care products, leather care products and household hygiene products for each of the years ended 31 December 2013, 2014 and 2015:

			Year ended 31 December								
			2013			2014			2015		
Types of products	**No. of emulsifying pot as at the Latest Practicable Date**	**Production line as at the Latest Practicable Date**	**Maximum production capacity** *(Note 3)* *(ton)*	**Actual production volume** *(ton)*	**Utilisation rate** *(Note 2)*	**Maximum production capacity** *(Note 3)* *(ton)*	**Actual production volume** *(ton)*	**Utilisation rate** *(Note 2)*	**Maximum production capacity** *(Note 3)* *(ton)*	**Actual production volume** *(ton)*	**Utilisation rate** *(Note 2)*
Oral care products *(Note 1)*	4	7	2,325	2,325	100.0%	3,720	2,894	77.8%	3,720	3,308	88.9%
Leather care products *(Note 1)*	22	12	5,128	2,140	41.7%	5,128	1,934	37.7%	5,128	1,954	38.1%
Household hygiene products *(Note 1)*	13	18	9,307	6,436	69.2%	9,576	7,469	78.0%	11,750	8,290	70.6%

Notes:

1. The maximum production capacity for oral care products is calculated on the basis that the production is carried out 12 hours per day, 21 days per month and 12 months per year while the maximum production capacities for leather care products and household hygiene products are calculated on the basis that the production is carried out 8 hours per day, 21 days per month and 12 months per year.

2. Utilisation rate is equal to actual production divided by maximum production capacity.

3. The maximum production capacity for each of the years ended 31 December 2013, 2014 and 2015 refers to full year production capacity.

Maximum production capacity of our leather care products stayed unchanged from 2013 to 2015. The maximum production capacity of our oral care products and household hygiene products increased by 60% from 2,325 tons to 3,720 tons and 2.9% from 9,307 tons to 9,576 tons from the year ended 31 December 2013 to the year ended 31 December 2014, respectively. The maximum production capacity of our household hygiene products further increased by 22.7% from 9,576 tons to 11,750 tons from the year ended 31 December 2014 to the year ended 31 December 2015 while maximum production capacity of our oral care products stayed unchanged during this period. The increases were due to the addition of new production facilities in contemplation of increase in sales of our oral care products and household hygiene products.

Our production facilities mainly comprise: (i) mixing and stirring machines; (ii) filtering machines; (iii) filling machines; and (iv) packaging machines.

We own our major machines and equipment and purchased most of them from large and reputable domestic manufacturers. We invest in high quality manufacturing machines and equipment, which we believe is capable of producing quality products more efficiently. We endeavour to keep abreast of technological advances in the daily household product industry and regularly monitor and upgrade our machines and equipment.

As at the Latest Practicable Date, we have 326 staff, of which 144 personnel are production and warehouse workers. The production lead time from obtaining orders to delivery of products is 7 days. As a result of our stringent quality control procedures, we did not have material defective products in our production during the Track Record Period.

Seasonality

The sales of our oral care products, leather care products and household hygiene products are all subject to seasonality. During the Track Record Period, we generally experienced higher sales in the fourth quarter of a calendar year. However, given the diversity of our product offerings, we do not believe that seasonality has any material effects on our results of operations as a whole as we can adjust our product mix to capture market demand at times.

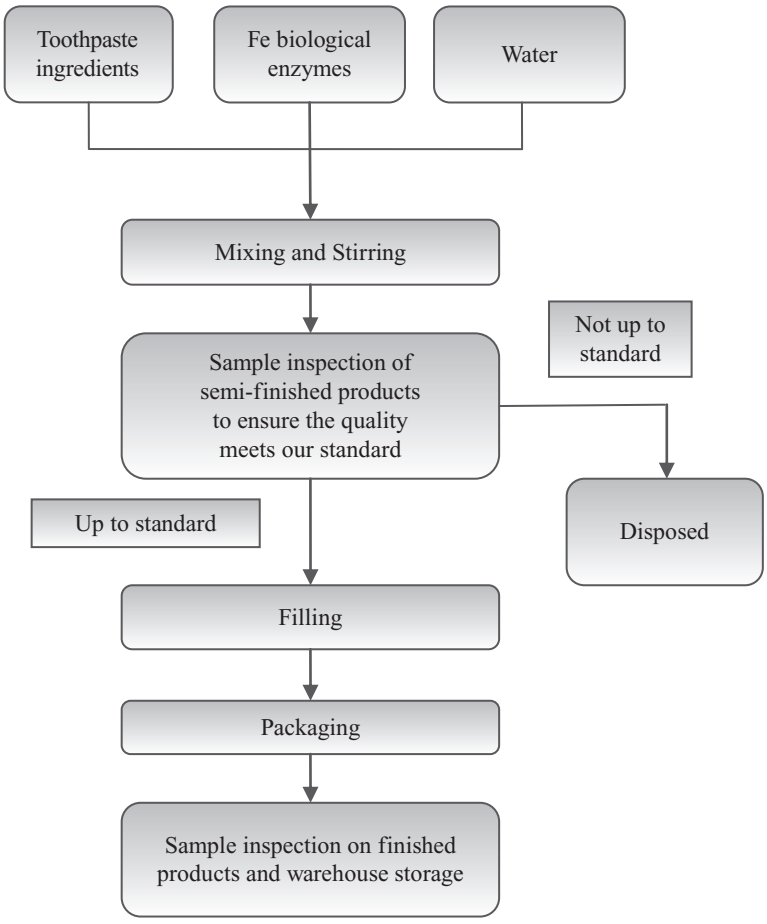
PRODUCTION

Production process

The following flow charts provide an overview of the major steps involved in the production process of some of the Group's major products:

Toothpaste

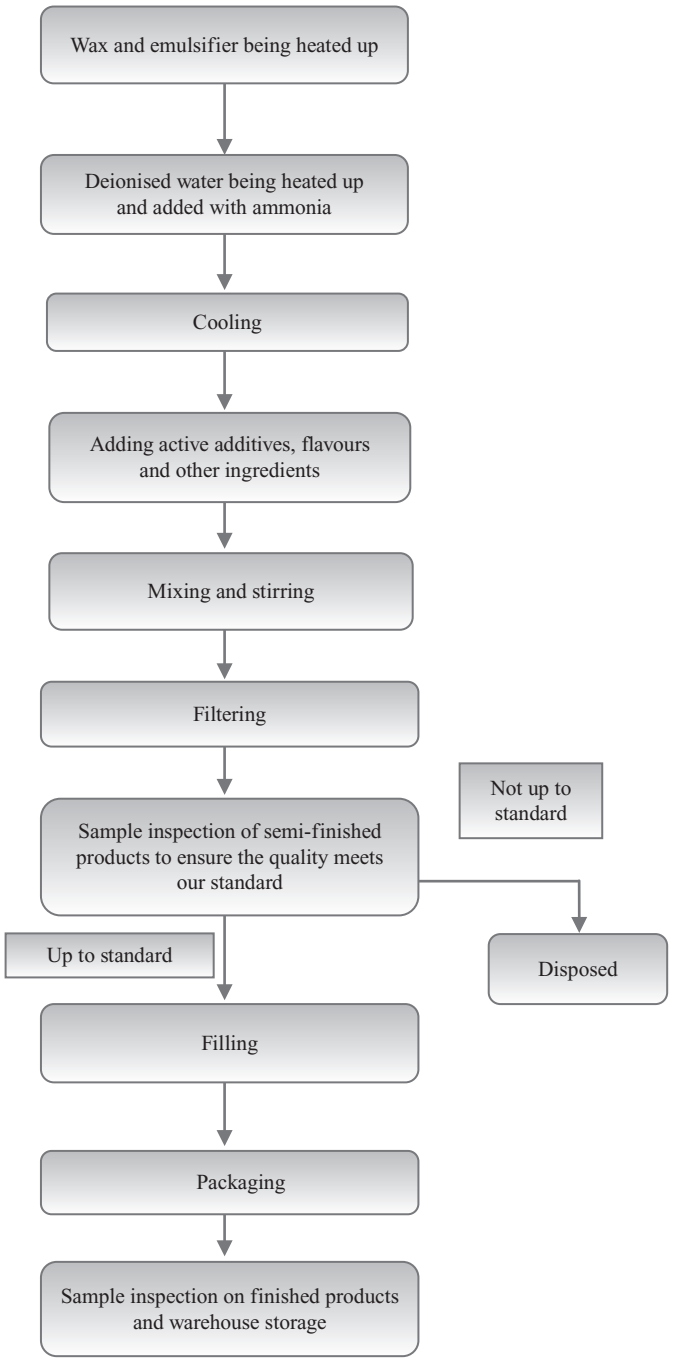
The following flow chart shows the typical production process for toothpaste:



The production lead time of our toothpaste from mixing water and essential ingredients to packaging of finished products is approximately 3 day.

Leather care products

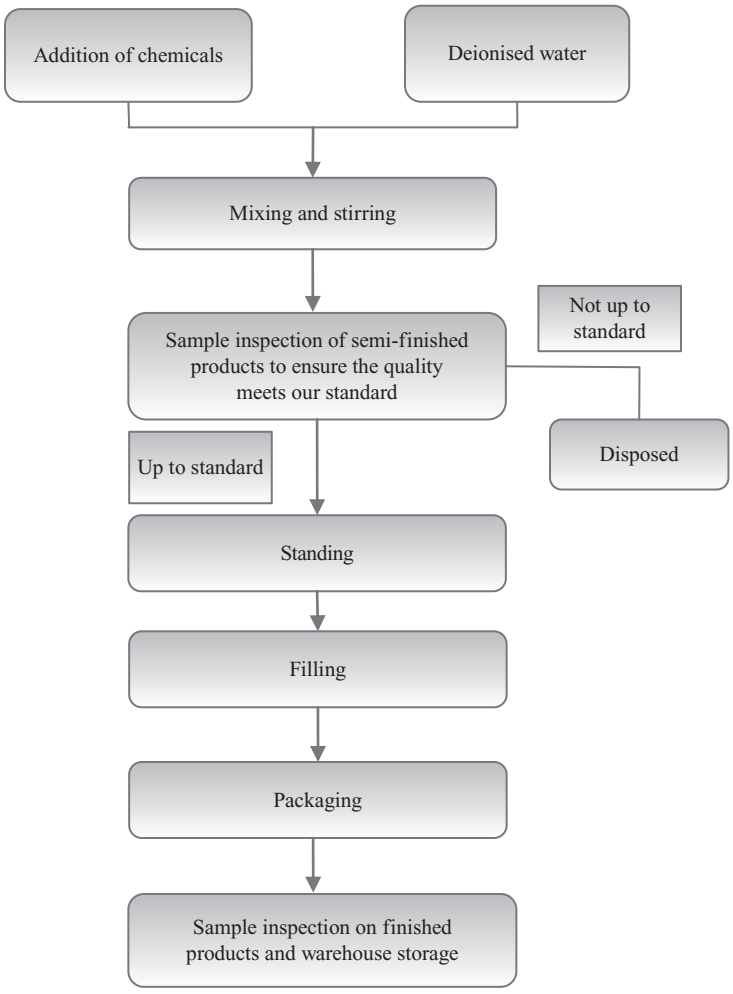
The following diagram shows the typical production process for shoe care products:



The production lead time of our shoe care products from heating up the wax and essential ingredients to packaging of finished products is approximately 3 days.

Household hygiene products

The following diagram shows the typical production process for liquid household hygiene products:



The production lead time of our household hygiene products from mixing water and essential ingredients to packaging of finished products is approximately 3 days.

PROCUREMENT AND OUR SUPPLIERS

Our suppliers primarily include suppliers of (i) raw materials; and (ii) packaging materials.

Raw Materials

We procure the following raw materials in our production for each of our product categories:

Product categories	Major raw materials
Oral care products	abrasive agent, fe enzyme, essence, emulsifying agent, humectant and sweetening agent
Leather care products	wax, oil, emulsifying agent, essence, coloring agent and mildew preventive
Household hygiene products	surface active agent, essence, emulsifying agent, chelating agent, preservative and deionised water

For each of the years ended 31 December 2013, 2014 and 2015, the costs of our raw materials were approximately RMB46.9 million, RMB49.9 million and RMB54.9 million respectively, representing approximately 39.2%, 37.9% and 35.5% of our total cost of sales, respectively.

Packaging Materials

We also procure packaging materials such as bottles, hoses, cartons, printed materials, tubes, tins and other packaging materials from our suppliers. For each of the years ended 31 December 2013, 2014 and 2015, the costs of our packaging materials were approximately RMB56.6 million, RMB63.6 million and RMB75.9 million respectively, representing approximately 47.4%, 48.3% and 49.2% of our total cost of sales, respectively.

Procurement

Our procurement department is responsible for our Group's procurement. Our procurement department has regular meetings with our sales and production teams and formulates procurement plans according to the sales and production schedule.

In selecting our suppliers, we assess our suppliers' suitability based on merits such as the production capacity, technological skills, quality of their products, supply stability, delivery performance and reputation in the industry. All raw materials, packaging materials and products provided by our suppliers have to comply with the respective quality control requirements and the standards set by the relevant PRC governmental authorities. For more details of our quality control procedures, please refer to the section headed "Business – Quality and safety control" of the Prospectus.

We have established stable and long term relationship with most of our major suppliers and entered into legally binding purchase agreements with our suppliers. The Directors believe that such relationship could provide us with more competitive prices, enhance the stability of supplies and timely delivery of materials. The table below sets forth summary of the principal terms of our typical purchase agreements with our suppliers:

Duration	1~2 years
Price	Prices are fixed in the agreement or a price list supplementary to the agreement and are normally unchanged during the term of the agreement. Adjustment of price during the agreement term requires both parties' confirmation and if we find the price to be less favourable than market price, we are entitled to forfeit the credit deposit or request the suppliers to lower the price
Return policy	Materials supplied to us should meet the agreed quality acceptance standard. Upon confirmation between the suppliers and us, we are entitled to return and demand replacement of the substandard or defective materials
Purchase amounts	Based on each purchase order. No minimum purchase amounts are specified in the agreement
Payment and credit terms	Payment upon receipt of invoice
Credit deposit	Key suppliers are generally required to make credit deposit to us
Delivery costs	Borne by the suppliers
Time of delivery	Suppliers are required to deliver the goods within the period specified in the purchase order. Suppliers who fail to make timely delivery are subject to penalty

During the Track Record Period, we procure our major raw materials and packaging materials from over 190 suppliers in the PRC and we generally do not rely on any single supplier for the supply of our raw materials or packaging materials. During the Track Record Period, we did not experience any difficulties in sourcing any of our raw materials and packaging materials used in our production of each of our product categories.

We believe that our good payment records is one of the factors which has enabled us to obtain favourable credit terms from our suppliers. Our suppliers in general give us credit period of 30 to 60 days. We settle payments with our suppliers mainly by way of bank transfer. Our purchases are principally denominated and settled in Renminbi.

Supply of fe enzyme

We principally purchased fe enzyme from an Independent Third Party supplier during the Track Record Period, with which our Group has over 10 years of business relationship. The supplier's business scope includes the production of disinfectants, enzyme and enzymatic cleaner. We entered into a purchase agreement with the supplier which set out terms including annual purchase quantity, price, payment and delivery. To the best knowledge of the Directors, we are the only purchaser of fe enzyme from the supplier. For each of the years ended 31 December 2013, 2014 and 2015, our purchase of fe enzyme from the supplier amounted to approximately RMB1.4 million, RMB1.7 million and RMB2.1 million, respectively. To further increase our operational flexibility and reduce production costs, we plan to manufacture fe enzyme by ourselves from the fourth quarter of 2016. For further details, please refer to the section headed "Business – Business Strategies – Expand our production and warehousing capacity" in this Prospectus. Having considered that (i) we have a long relationship with our fe enzyme supplier and there has not been any disruption of supply in the past; (ii) we have entered into a purchase agreement with our supplier and the indicative annual purchase quantity specified therein are adequate for our estimated use of fe enzyme; (iii) base on our understanding, the fe enzyme supplier has adequate capacity for the production of fe enzyme as required by us; and (iv) we have made plans to manufacture fe enzyme ourselves from the fourth quarter of 2016, our Directors are of the view that our Group would have an adequate and stable supply of fe enzyme to support its business growth.

Purchase of finished products

During the Track Record Period, we purchased certain finished products (including toothbrush and toilet cleaners) from external suppliers. For each of the years ended 31 December 2013, 2014 and 2015, our purchase of finished products amounted to approximately RMB2.9 million, RMB3.7 million and RMB7.3 million respectively, representing approximately 2.5%, 2.8% and 4.7% of our total cost of sales, respectively.

In order to ensure the quality of our purchased products, we have carefully selected our external suppliers. Prior to the formal engagement of any external suppliers, we would check its qualification and evaluate its product quality, supply stability, delivery performance and reputation.

Our Directors believe that purchasing some of our products from external suppliers is a cost effective way of pooling our resources to focus on producing our key products.

Top 5 suppliers

For each of the years ended 31 December 2013, 2014 and 2015, the aggregate purchases from our 5 largest suppliers amounted to approximately RMB33.1 million, RMB38.8 million and RMB43.1 million respectively, representing approximately 30.4%, 30.6% and 31.0% of our total purchases of raw materials and packaging materials, respectively, and the purchase from our largest supplier of each year amounted to approximately RMB13.5 million, RMB15.1 million and RMB15.6 million, respectively, representing approximately 12.4%, 12.0% and 11.2% of our total purchases of raw materials and packaging materials, respectively.

The table below sets out the details of our top 5 suppliers for each of the years ended 31 December 2013, 2014 and 2015:

For the year ended 31 December 2013:

Name of supplier	Type of products purchased by our Group	Approximate years of relationship with our Group	Typical credit term offered by our Group's suppliers	Payment method	Purchase amount *(RMB'000)*	Percentage of our Group's total purchase
Supplier A *(Note 1)*	Plastic Bottles	13 years	Payment by month	Cash or bank transfer or bank acceptance bill	13,518	12.4%
Supplier B *(Note 2)*	Paper packing materials	7 years	Payment by month	Cash or bank transfer or bank acceptance bill	6,686	6.1%
Supplier C *(Note 3)*	Toothpaste tube	7 years	Payment by month	Cash or bank transfer or bank acceptance bill	5,191	4.8%
Supplier D *(Note 4)*	Paper box	13 years	Payment by month	Cash or bank transfer or bank acceptance bill	4,407	4.0%
Supplier E *(Note 5)*	Collapsible aluminium tube	7 years	Payment by month	Cash or bank transfer or bank acceptance bill	3,346	3.1%

Notes:

1. Supplier A is a private enterprise in Jiangsu Province which is principally engaged in amongst others, the manufacturing of plastic bottles and high-grade fabrics.

2. Supplier B is a private enterprise in Jiangsu Province which is principally engaged in amongst others, the manufacturing of paper packing materials for wines and other products.

3. Supplier C is a private enterprise in Guangdong Province which is principally engaged in amongst others, the manufacturing of packaging materials for toothpaste.

4. Supplier D is a private enterprise in Jiangsu Province which is principally engaged in amongst others, the manufacturing of paper boxes for daily household products and lubricating oil products.

5. Supplier E is a private enterprise in Hubei Province which is principally engaged in amongst others, the manufacturing of aluminium tubes.

For the year ended 31 December 2014:

Name of supplier	Type of products purchased by our Group	Approximate years of relationship with our Group	Typical credit term offered by our Group's suppliers	Payment method	Purchase amount *(RMB'000)*	Percentage of our Group's total purchase
Supplier A	Plastic bottles	13 years	Payment by month	Cash or bank transfer or bank acceptance bill	15,148	12.0%
Supplier B	Paper packing materials	7 years	Payment by month	Cash or bank transfer or bank acceptance bill	8,734	6.9%
Supplier C	Toothpaste tube	7 years	Payment by month	Cash or bank transfer or bank acceptance bill	6,649	5.2%
Supplier D	Paper box	13 years	Payment by month	Cash or bank transfer or bank acceptance bill	4,221	3.3%
Supplier F *(Note 6)*	Colour-printing material	18 years	Payment by month	Cash or bank transfer or bank acceptance bill	4,039	3.2%

Note:

6. Supplier F is a private enterprise in Zhejiang Province which is principally engaged in amongst others, the manufacturing of soft-packaging materials and colour-printing materials.

For the year ended 31 December 2015:

Name of supplier	Type of products purchased by our Group	Approximate years of relationship with our Group	Typical credit term offered by our Group's supplier	Payment method	Purchase amount *(RMB'000)*	Percentage of our Group's total purchase
Supplier A	Plastic bottles	13 years	Payment by month	Cash or bank transfer or bank acceptance bill	15,560	11.2%
Supplier C	Toothpaste tube	7 years	Payment by month	Cash or bank transfer or bank acceptance bill	9,588	6.9%
Supplier B	Paper packing materials	7 years	Payment by month	Cash or bank transfer or bank acceptance bill	9,492	6.8%
Supplier G *(Note 7)*	Sprayer	13 years	Payment by month	Cash or bank transfer or bank acceptance bill	4,880	3.5%
Supplier D	Paper box	13 years	Payment by month	Cash or bank transfer or bank acceptance bill	3,559	2.6%

Note:

7. Supplier G is a private enterprise in Zhejiang Province which is principally engaged in amongst others, the manufacturing of micro atomisers.

None of our Directors or their close associates, and none of our existing shareholders who (to the knowledge of our Directors) own more than 5% of our issued share capital, have any interest in any of our top 5 suppliers during the Track Record Period. As at the Latest Practicable Date, we do not have any outstanding material disputes with our existing suppliers.

SALES AND OUR CUSTOMERS

During the Track Record Period, we sell products to the following categories of customers:

(i) distributors, which distribute and sell our products to retailers and/or sub-distributors in the PRC;

(ii) retailers, which mainly consist of hypermarkets and supermarkets and sell our products under our brands to individuals in PRC; and

(iii) OEM customers, who market our products under their brand names or resell them.

The following table sets out the breakdown of our turnover in terms of customer category for each of the years ended 31 December 2013, 2014 and 2015:

	Year ended 31 December					
	2013		2014		2015	
Customer category	*RMB'000*	*% of total turnover*	*RMB'000*	*% of total turnover*	*RMB'000*	*% of total turnover*
Distributors	158,117	79.7	178,674	80.4	228,240	80.6
Retailers	15,152	7.6	19,200	8.6	25,121	8.9
OEM customers	22,279	11.2	20,575	9.3	24,987	8.8
Others *(note)*	2,949	1.5	3,819	1.7	4,753	1.7
Total	198,497	100.0	222,268	100.0	283,101	100.0

Note: Others primarily include (i) online sales; (ii) sales to customers who market our products on a trial basis; and (iii) sales to non-related individuals/entities.

Top 5 customers

For each of the years ended 31 December 2013, 2014 and 2015, our turnover contributed by our top 5 customers was approximately RMB38.7 million, RMB37.9 million and RMB46.7 million, respectively, representing approximately 19.5%, 17.1% and 16.5% of our total turnover, respectively.

For each of the years ended 31 December 2013, 2014 and 2015, our turnover contributed by our largest customer was approximately RMB11.7 million, RMB10.9 million and RMB13.9 million, respectively, representing approximately 5.9%, 4.9% and 4.9% of our total turnover, respectively.

The following tables set forth certain information about our top 5 customers for each of the years ended 31 December 2013, 2014 and 2015:

Name of customer	Nature of customer	Nature of products sold	Approximate years of relationship with our Group	Typical credit term allowed	Payment method	Sales amount *(RMB'000)*	Percentage to the Group's total turnover
Customer A *(Note 1)*	OEM customer	Oral care products	3 years	30 days	Bank transfer or bank acceptance bill	11,673	5.9%
Customer B *(Note 2)*	OEM customer	Household hygiene products	8 years	15 days	Bank transfer	8,736	4.4%
Customer C *(Note 3)*	Retailer	Oral care products	4 years	45 days	Through its own payment system	7,715	3.9%
Customer D *(Note 4)*	Distributor	Oral care products, leather care products and household hygiene products	9 years	Payment before delivery	Bank transfer	6,321	3.2%
Customer E *(Note 5)*	Distributor	Oral care products, leather care products and household hygiene products	9 years	Payment before delivery	Bank transfer or bank acceptance bill	4,301	2.2%

Notes:

1. Customer A is a private enterprise in Jiangxi Province which is principally engaged in wholesale and retail business.

2. Customer B is a private enterprise in Zhejiang Province which is principally engaged in amongst others, international trade of heating equipment, daily household products and clothes.

3. Customer C is an enterprise in Shanghai which is principally engaged in investment and retail business.

4. Customer D is a private enterprise in Xinjiang Autonomous Region which is principally engaged in the sales of amongst others, daily use products.

5. Customer E is a private enterprise in Shandong Province which is principally engaged in sales of amongst others, daily use products, cosmetics and cleansing products.

For the year ended 31 December 2014:

Name of customer	Nature of customer	Nature of products sold	Approximate years of relationship with our Group	Typical credit term allowed	Payment method	Sales amount *(RMB'000)*	Percentage to the Group's total turnover
Customer C	Retailer	Oral care products	4 years	45 days	Through its own payment system	10,859	4.9%
Customer A	OEM customer	Oral care products	3 years	30 days	Bank transfer or bank acceptance bill	10,076	4.5%
Customer B	OEM customer	Household hygiene products	8 years	15 days	Bank transfer	8,770	4.0%
Customer F *(Note 6)*	Distributor	Oral care products, leather care products and household hygiene products	More than 20 years	Payment before delivery	Bank transfer	4,492	2.0%
Customer G *(Note 7)*	Distributor	Oral care products, leather care products and household hygiene products	8 years	Payment before delivery	Bank transfer	3,729	1.7%

Notes:

6. Customer F is a private enterprise in Shandong Province which is principally engaged in sales of amongst others, daily use products.

7. Customer G is a private enterprise in Gansu Province which is principally engaged in wholesale and retail of amongst others, daily household products, cosmetics and detergent products.

For the year ended 31 December 2015:

Name of customer	Nature of customer	Nature of products sold	Approximate years of relationship with our Group	Typical credit term allowed	Payment method	Sales amount *(RMB'000)*	Percentage to the Group's total turnover
Customer A	OEM customer	Oral care products	3 years	30 days	Bank transfer or bank acceptance bill	13,944	4.9%
Customer C	Retailer	Oral care products	4 years	45 days	Through its own payment system	12,513	4.4%
Customer B	OEM customer	Household hygiene products	8 years	15 days	Bank transfer or telegraphic transfer	8,569	3.1%
Customer H *(Note 8)*	Distributor	Oral care products, leather care products and household hygiene products	3 years	Payment before delivery	Bank transfer	5,931	2.1%
Customer F	Distributor	Oral care products, leather care products and household hygiene products	More than 20 years	Payment before delivery	Bank transfer	5,711	2.0%

Note:

8. Customer H is a private enterprise in Xinjiang Autonomous Region which is principally engaged in sales of daily use products.

None of our Directors or their close associates, and none of our existing shareholder who (to the knowledge of our Directors) own more than 5% of our issued share capital, have any interest in any of our top 5 customers during the Track Record Period. As at the Latest Practicable Date, we do not have any outstanding disputes with our existing customers.

Distributorship model

We principally sell our products through various distributors across the PRC. For each of the years ended 31 December 2013, 2014 and 2015, our turnover generated from sales to distributors accounted for approximately 79.7%, 80.4% and 80.6% of our turnover respectively. We believe that the distributorship model allows us to benefit from our distributors' established distribution networks and channels, save costs that would otherwise be required to build up an extensive logistics network across the PRC and increase the effectiveness of the penetration of our products to different areas and channels in the PRC within a relatively short period of time.

To the best knowledge of our Directors, we believe that it is an industry norm in the PRC to engage distributors in selling products such as ours.

We carefully select our distributors on the basis of a number of factors, including their scale of operation, distribution abilities, warehousing capabilities, financial condition, credit records and compatibility with our business strategies.

Our distributors

We have 7 sales regions in the PRC. The following table sets out the number of our distributors by region as at the Latest Practicable Date:

Sales Regions	Provinces, autonomous regions or municipalities	Number of distributors
Region No. 1	Beijing, Hebei Province, Shandong Province and Tianjin	152
Region No. 2	Henan Province, Shanxi Province, Shaanxi Province	85
Region No. 3	Heilongjiang Province, Jilin Province, Liaoning Province, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region	57
Region No. 4	Gansu Province, Qinghai Province, Xinjiang Autonomous Region	31
Region No. 5	Anhui Province, Fujian Province, Jiangsu Province, Shanghai and Zhejiang Province	76
Region No. 6	Hubei Province, Hunan Province, Jiangxi Province	38
Region No. 7	Guangdong Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Hainan Province, Sichuan Province, Chongqing and Yunnan Province	53
Total		**491**

The following table sets out the movement in the number of our distributors for each of the years ended 31 December 2013, 2014 and 2015:

	For the year ended 31 December		
	2013	**2014**	**2015**
Number of distributors at beginning of year	224	271	409
Addition	87	191	167
Termination	(40)	(53)	(106)
Number of distributors at end of the year	271	409	470

The increase in the number of distributors from 2013 to 2015 was mainly due to our business expansion. In order to increase the penetration of our products, we started to increasingly engage distributors in lower-tier cities in Shandong Province, Anhui Province, Hebei Province, Henan Province and Sichuan Province from 2013 to 2015. We terminated 40, 53 and 106 distributors during each of the years ended 31 December 2013, 2014 and 2015, which was mainly because of their underperformance or violation of our policies as stipulated in the distribution agreement. Such termination had not caused any material adverse effects to our business operation. Except for one distributor (the "**Connected Distributor**"), all of our distributors during the three years ended 31 December 2015 and up to the Latest Practicable Date were Independent Third Parties. Our sales to the Connected Distributor during each of the years ended 31 December 2013, 2014 and 2015 were approximately nil, nil and RMB1.7 million, respectively. For additional information on the related parties transactions in relation to our sales to the Connected Distributor, please refer to Note 30 to the Accountants' Report set out in Appendix I to this Prospectus. As at the Latest Practicable Date, the Connected Distributor had ceased to be a connected person of our Group.

As at the Latest Practicable Date, none of our Directors or their respective close associates, and none of our existing Shareholders who (to the best knowledge of our Directors) own more than 5% of our issued share capital, have any interest in any of our distributors.

Relationship with our distributors

We enter into legally binding distribution agreements with our distributors on an annual basis. The distribution agreement is usually supplemented by a separate distribution channel agreement (collectively, the "**Distribution Agreement**") specifying the geographical area or retail channel(s) within a designated geographical area in which the distributor is authorised to distribute our products. Although we usually do not state such authorisation to be exclusive in the Distribution Agreement, in practice we usually have only one distributor for each particular retail channel within a designated geographical area so as to avoid cannibalisation among our distributors.

Our relationship with our distributors is of seller and buyer nature. We recognise our sales once our products have been delivered to, and acknowledged receipt by the distributors, and all titles and risks in connection with such products will also be passed to the distributors. As stated in the Distribution Agreement, we accept return of defective products. Except upon termination of the distribution agreement and subject to certain conditions, we are not contractually required to accept the return or exchange of unsold goods or reimburse any such costs. For each of the years ended 31 December 2013, 2014 and 2015, products returned from our distributors amounted to approximately RMB0.8 million, RMB1.3 million and RMB1.6 million, respectively.

The following table sets forth a summary of the principal terms of our typical Distribution Agreement:

Duration	1 year
Exclusivity	Not specified
Price	Fixed during the term of the agreement
Return policy	Defective products may be returned. Unsold products upon termination of Distribution Agreement may be returned with certain discount depending on the expiry date of the unsold products and their packaging status
Sales target	Annual and monthly sales target specified, but no penalty will be imposed if the distributor does not meet the sales target
Discounts	Distributor is entitled to sales discount and defect discount (as a compensation for the defective and returned products received by the distributor from its retailer customers) if it achieves the annual and/or monthly sales target
Minimum purchase amount	Not specified
Credit terms	Payment before delivery *(Note)*
Delivery costs	We bear the delivery costs as long as the order size exceeds a minimum quantity
Deposits	Some distributors are required to place a deposit with us
Sub-distribution	The distributor shall not sub-distribute our products or sell our products on the Internet or to online shops without our consent
Cross-selling	The distributor shall not cross-sell our products to geographical areas or channels not within its designated distribution territory

Note: We usually insist on rigorous execution of the agreed credit term unless the circumstances warrant a different treatment. Our chairman may approve the grant of extension of repayment period to not more than 90 days to a distributor after considering the credit history, financial status and business potential of the distributor on a case-by-case basis. For more details on our credit control policy, please refer to the section headed "Business – Credit Control" in the prospectus.

Inventory report	The distributor shall provide sales and inventory information to us on a quarterly basis
Renewal	We have the right not to renew the Distribution Agreement with the distributor upon its expiration in case of the distributor's underperformance and/or failure to comply with our policies
Termination	We have the right to terminate the Distribution Agreement if the distributor (i) failed to transact with us within 15 days from the effective date of the Distribution Agreement; or (ii) breached any terms of the Distribution Agreement, such as failure to follow the retail price prescribed by us or viciously cross-sell our products

Pricing policies

We generally sell our products to our distributors at unified prices. For distributors with smaller operation scale and purchase quantity, we may charge relatively higher prices for our toothpaste products. To ensure that the retail prices of our products are consistent in different retail systems in the market, we provide our distributors along with the Distribution Agreement a price list which specifies the recommended wholesale prices for our distributors to sell our products to their retail customers and the retail prices at which we contractually require our distributors to procure their retail customers to sell our products. We also require our distributors to provide us with the price information of our products for our approval before they negotiate with their retail customers.

Although we do not have direct contractual relationship with the sub-distributors, according to the Distribution Agreement we have the contractual rights to approve and/or disapprove the engagement of sub-distributors by our distributors and to terminate the Distribution Agreement with the distributors which fail to procure their sub-distributors and/or retailer customers to follow our specified retail prices. In practice, if we believe the conduct of any sub-distributor has distorted our price systems in the market place, we would discuss with the distributor which engages such sub-distributor and rectify the misconduct immediately.

Distributor management

As the effectiveness of our distribution system is crucial to our business success and financial results, we monitor and manage our distributors on an ongoing basis. Our sales and marketing staff visit our distributors regularly to make sure they execute sales and pricing terms in accordance with our policies. We also closely monitor the engagement of sub-distributors by our distributors. Although we do not have direct contractual relationship with the sub-distributors, we contractually require our distributors to seek our approval before they engage any sub-distributors. We usually encourage our distributors to engage sub-distributors if (i) we do not plan to engage a distributor ourselves in the targeted channel or geographical area in the foreseeable future; (ii) the sub-distributor has recognised

distribution ability in the targeted channel or geographical area; and (iii) we believe the sub-distributor will comply with the policies in our distribution agreement with our distributors. However, we do not maintain a register of the total number of sub-distributors as our distributors do not have to notify us upon termination of the sub-distribution engagement.

We also pay close attention to the inventory level of our distributors. In order to prevent channel stuffing, we (i) require our distributors to pay us in full before we deliver our products which, together with our policy of not accepting return of unsold products unless upon termination of the Distribution Agreement *(Note)*, would place an immediate cash flow burden to our distributors for any material overstock; (ii) require our major distributors to report their inventory level of our products to us on a quarterly basis; (iii) keep close communication with our distributors to understand their sales and inventory situations; and (iv) regularly visit our distributors and retail outlets they cover to check the inventory levels. Our Directors believe that the above measures allow us to effectively manage any inventory risk and/or detect any possible overstock in the channels.

We also carefully manage the potential competition among our distributors in order to prevent cannibalisation and ensure sustainable growth. We believe that the competition among our different levels of distributors is minimal as (i) we grant a specific geographical area or retail channel(s) within a designated geographical area to each distributor so that distributors will not compete with each other in the same distribution territory; (ii) we forbid our distributors in the distribution agreements to sell our products outside their authorised distribution territory, failing which we will have the right to require them to recall the products, cut their annual discount, suspend supply of our products, and/or forfeit their deposit; (iii) any sub-distributors engaged by our distributor is subject to our consent and shall be supplemental to the distributor's current distribution channels thus will not create direct competition with it; and (iv) we have implemented a QR-code system for our key products through which we are able to identify the distributor which might have been cross-selling our products by scanning the QR-code printed on the package of the product. During the Track Record Period, we were not aware of any material cannibalisation among our distributors of our products in the same region.

Our Retailers

We also sell our products directly to our retailers, which are mainly hypermarkets and supermarkets in China. We have a stable and established relationship with our retailers. We select our retailers based on factors such as their business scale, number of retail outlets, network coverage and reputation. Our retailers have strong logistics and warehousing capabilities and require us to enter into their own standardised merchandise contracts. Our sales persons are responsible for approaching, keeping track of and/or obtaining sales orders directly from our retailers. We arrange for distribution of our products from our production facility to the retailers' designated logistics centres. Our Directors confirmed that all of our retailer customers during the Track Record Period and up to the Latest Practicable Date are Independent Third Parties.

Note: Our Group did not experience any material product returns upon termination of distribution agreements with our distributors during the Track Record Period.

The following table sets out the movement in the number of our retailers for the years indicated.

	For the year ended 31 December		
	2013	2014	2015
Number of retailers at beginning of year	8	4	4
Addition	–	–	1
Termination	(4)	–	–
Number of retailers at end of the year	4	4	5

The decrease in the number of retailers in 2013 was mainly due to the retailers' underperformance. We terminated our cooperation with retailers which experienced substantial sales decline during the contract period. We believe it is more cost-effective to concentrate our resources on retailers with strong market performance. The increase in the number of retailers in 2015 was mainly due to our business development strategy to enhance our market presence and penetration in the Northern China region, especially in Beijing, Tianjin and Hebei Province by engaging a well-recognised retailer in the region who has extensive retail network and customer base. We did not terminate any of our cooperation with our existing retailers as their sales performance during the Track Record Period remained strong. As at the Latest Practicable Date, our 5 retailer customers offer our products in a total of over 1,000 retail outlets in the PRC.

For each of the years ended 31 December 2013, 2014 and 2015, turnover generated by our sales to retailers amounted to approximately RMB15.2 million, RMB19.2 million and RMB25.1 million respectively, representing approximately 7.6%, 8.6% and 8.9% of our turnover for the respective year.

As at the Latest Practicable Date, none of our Directors or their respective close associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than 5% of our issued share capital, have any interest in any of our retailers and we do not have any outstanding material disputes with our existing retailers.

We have direct contractual relationship with our retailers. We generally enter into master sales agreements with them in the form prescribed by these retailers on an annual basis. The master sales agreements specified target purchase amounts whereby, if certain target purchase amount is met, the retailers concerned will be entitled to rebates mostly ranging from 1.0% to 3.0% or to be calculated in accordance with the formula agreed. These master sales agreements also specify terms such as delivery, payment, discounts payable to the retailers, promotion and return policy. We generally do not set any initial purchase requirements or minimum purchase requirements for retailers. Prices of our products sold to the retailers are determined after private negotiations with each retailer having taken into account the retail prices of the products, expenses associated with the sales and promotion of the products at the retailers' outlets and our reasonable profit margin. We generally require our retailers to sell our products at our recommended retail prices. Although we usually do not have the contractual power to do so as the form of the master sales agreements are prescribed by the retailers, we closely monitor the retail prices of our

products and will terminate cooperation with the retailers who disrupt our price system. During the Track Record Period, we did not experience any material under-pricing by our retailers.

Our OEM customers

We also sell our products to OEM customers who market such products under their own brand names or resell them. Our major OEM customers include a private enterprise in Jiangxi Province, which is principally engaged in wholesale of toothpaste ("**OEM Customer A**") and a trading company in Zhejiang Province ("**OEM Customer B**"), which is principally engaged in international trade of daily household products.

We entered into legally binding sales agreement with OEM Customer A. The following table sets forth a summary of the principal terms of our sales agreement with OEM Customer A:

Duration	3 years
Price	Fixed during the term of the agreement, but negotiable if price of crude oil exceeds certain amount
Return Policy	Not specified
Minimum purchase amount	A minimum purchase amount is specified for each year during the term of the agreement
Credit terms	Payment before delivery

We did not enter into sales agreement with OEM Customer B and our sales with OEM Customer B are conducted based on each purchase order. The purchase orders specify the order quantity, purchase price, purchase amount, delivery date and credit terms.

The prices of our OEM products are determined after arm's length negotiation with our OEM customers having taken into account the production costs, expenses and reasonable profit margin.

Sales Team

As at the Latest Practicable Date, our sales team comprises of 104 staff, which include 5 sales directors, 6 regional managers, 17 provincial managers and 76 general salespersons.

We manage our sales network through our regional sales teams who closely interact with our distributors and retailers. The sales directors are responsible for formulating the overall sales and marketing strategies, and the regional managers are responsible for setting the regional sales targets and identifying potential customers. The provincial managers monitor the sales performance, ensure the implementation of the sales and marketing

strategies, and administer the general salespersons and distributors within their responsible regions. The general salespersons are responsible for liaising with the distributors and retailers and assisting them to promote our products to the consumers.

Each of the members of the sales team is required to submit a detailed weekly report to their immediate supervisor who is responsible for reviewing and providing feedback on the member's performance. Further, our sales team holds internal meetings from time to time in order to share information on sales and marketing situation of our products.

We believe that through our dedicated sales team and our established communication system, we are able to effectively implement our sales strategies within our distribution channels and monitor and find out any unusual sales or stock-piling activities of our customers. We were not adversely affected by any material market anomalies during the Track Record Period and up to the Latest Practicable Date.

Credit Control

We adopt prudent credit policies and generally require our distributors to settle their payments with us before we deliver our goods to them. We generally provide credit period of 45 to 60 days to our retailers. For our domestic OEM customers, we generally grant a credit period of 0 to 15 days to them. For export sales to our foreign OEM customers, as our products will be loaded in cargo and shipped abroad, our customers normally paid us within 45 days upon the bills of lading are issued.

Our finance and accounts department is responsible for enforcing our Company's policies on credit limits, credit approvals and other monitoring procedures to minimise our credit risk and collect payment timely. We usually insist on rigorous execution of the agreed credit term unless the circumstances warrant a different treatment. Our chairman may approve the grant of extension of repayment period to not more than 90 days to a distributor after considering the credit history, financial status and business potential of the distributor on a case-by-case basis. In addition, we review the recoverable amount of trade debts on a monthly basis during the Track Record Period to ensure that proper and timely follow-up action is taken to recover overdue debts. We also had procedures in place to ensure that adequate impairment losses were made for irrecoverable amounts. Our Directors believe that our credit risk is under proper control.

During the Track Record Period, we did not experience any significant bad debt.

Sales return policy

We accept the return of defective products by our customers. We will refund our customers the relevant purchase amount and transportation costs for the defective products returned to us. However, if the product defect is proved to be caused by defective raw materials supplied to us, we are entitled to be reimbursed by our supplier for any damages we suffered. For the OEM customer A, there is no return policy once it accepted the products. For the OEM Customer B, we accept the return of defective products. We also refund our distributors for products damaged in the course of delivery, provided that we were being notified by our distributors of the transportation damage by fax within 48 hours

from the time of receiving the products. We then make a claim for our loss against our external logistics company who is liable for the transportation damage and will reimburse our loss accordingly. Moreover, we also accept return of unsold products upon termination of distribution agreements with our distributors. Such products will be returned to us with certain discount depending on their expiry dates and packaging status.

We accept return or exchange of unsold products from our retailers. During the Track Record Period, we did not experience any material product returns or make any material product recalls. Our Group did not make any provision for product return during the Track Record Period.

After-sale service

To better serve our customers and collect market information in a timely manner, it is our policy that all complaints, feedbacks and enquiries from our customers shall be handled and answered promptly upon receipt. Our sales department and quality control department are responsible for processing any comments and/or complaints from our customers. We provide customer services mail box on our websites and free hotlines for any enquiries.

INVENTORY, WAREHOUSING AND LOGISTICS

Our inventory primarily comprises of raw materials, packaging materials and finished products. Our inventory levels vary according to the demand of our customers, sales and production plans and our logistics resources.

To minimise the risk of building up inventory, we regularly review our inventory levels. We also carry out physical stock counts from time to time to identify expired or damaged goods. During the Track Record Period, we did not experience any shortage of inventory.

We monitor the inventory levels of our main distributors through the quarterly reports submitted by them and the first-hand knowledge from our sales team which interacts with our distributors from time to time. Apart from minimising the risk of stock-piling, such information also allows us to fine-tune our production plan and ensure a steady supply of our products.

We store our raw materials, packaging materials and finished products separately in our warehouses. For each of the years ended 31 December 2013, 2014 and 2015, our inventory accounted for approximately 28.9%, 31.3% and 24.4% of our total current assets, respectively, while our average inventories turnover days were 80.5 days, 74.9 days and 61.1 days respectively.

We engage external logistic companies, which are Independent Third Parties, to deliver our products from our production facility to our customers' designated location. Under the logistic agreements entered into with these external logistic companies, the risks associated with the delivery of our products are borne by the external logistic companies. These arrangements allow us to reduce our capital investment and reduce the risk of liability for

transportation accidents, delivery delays or loss. As at the Latest Practicable Date, we have engaged 19 external logistics companies to deliver our products to our distributors and retailers.

We select external logistics companies based on a set of selection criteria, including their network coverage and reputation. We usually enter into contract for a term of 2 years with external logistics companies and assess and review their performance regularly.

During the Track Record Period, we did not experience any material disruption in the delivery of our products nor have we suffered any loss or paid any compensation as a result of delays in delivery or poor handling by external logistics companies.

For each of the years ended 31 December 2013, 2014 and 2015, delivery costs of our products were approximately RMB8.6 million, RMB14.2 million and RMB16.7 million respectively, representing approximately 4.4%, 6.4% and 5.9% of our total turnover, respectively.

MARKETING AND PROMOTION

We believe that our brand is the key to the success of our business. Our sales and marketing department is responsible for the promotion of our brands and products and the formulation of our marketing strategies.

We have implemented multi-faceted marketing strategies to promote our brands and products, including (i) television commercials which are broadcasted through major television channels in the PRC including China Central Television（中國中央電視台）, China Education Television（中國教育電視台）and other local television channels such as the Travel Channel（旅遊衛視）; (ii) sponsorship of large-scale competition and charitable events; (iii) advertising in the newspapers, magazines, and on the Internet; (iv) organising in-store marketing and promotional activities such as providing special offer, free trial and lucky draw; and (v) attending China Beauty Expo（中國美容博覽會）to promote our products.

In addition, we plan to further strengthen our business growth by continuously enhancing our brand values. In 2015, we strategically re-positioned our "Larento（老人頭）" brand as a high-end leather care brand through more staff inputs and marketing activities. We have also developed and launched a number of new high-end leather care products under the "Larento（老人頭）" brand in August and September 2015.

For each of the years ended 31 December 2013, 2014 and 2015, our Group's marketing and promotion expenses were approximately RMB16.5 million, RMB16.2 million and RMB28.1 million respectively, which represented approximately 8.3%, 7.3% and 9.9% of our total turnover, respectively.

RESEARCH AND DEVELOPMENT

Our Directors strongly believe that investment in research and development is vital in providing our Company with a competitive edge in a highly competitive market. As such, we place great emphasis on our research and development strategies to keep us ahead of our

competitors. Our objectives are to continually introduce innovative products, to ensure that our new products are in conformity with market trends so that we are able to meet the changing needs of our customers.

Our research and development department, which consists of 10 people led by Mr. Xu Zhiliang, is responsible for conducting research and development programs of our new products and improving the quality and design of our existing products. The members of our research and development department have an average industry experience of approximately 21 years. For each of the years ended 31 December 2013, 2014 and 2015, we incurred approximately RMB7.8 million, RMB9.4 million and RMB8.4 million research and development expenses which represent approximately 3.9%, 4.2% and 3.0% of our total turnover respectively. We did not capitalise any research and development expenses during the Track Record Period as the expenditures incurred were for projects that were under the research phase which was not eligible for capitalisation under the relevant accounting standard.

Our research and development department develops new products based on (i) products existing in market; and (ii) information in market trends and consumer preferences from our sales and marketing department. Before embarking on a new project, our research and development department will prepare detailed proposal to explain the purpose, target and time frame of the project for our management team's approval. It typically takes one to two years for us to complete a new project. If the project is successful, our research and development department will further report to our management team on matters in relation to the project, including whether or not to carry out feasibility analysis before launching any new products. Our management team may decide to launch products from a project subject to the market needs and our marketing strategies at that time.

For each of the years ended 31 December 2013, 2014 and 2015, our research and development team has successfully developed and launched 16, 24 and 21 new products, respectively. As at the Latest Practicable Date, our research and development department has the following projects under development for our three main product segments:

Product segment	**Number of projects under development**	**Time frame of the projects**	**Expenditure expected to be incurred** *(RMB'000)*
Oral care products	4	18-24 months	8,600
Leather care products	3	12-18 months	4,900
Household hygiene products	3	12-24 months	4,100
Total			**17,600**

We have also developed a long term co-operation relationship with a renowned university in Shanghai since 2001, whereby the professors and researchers of this university, amongst others, have been providing technical advice and support to our Group as to the research and development of the application of fe enzyme biological technology in

toothpaste. In 2014, to further strengthen our Group's research capability, we have entered into a technology service agreement (技術服務合同) with this university for a term of two years. Pursuant to the technology service agreement (技術服務合同), it was agreed that we would be provided with the information in respect of the latest development of oral care technologies in the domestic and international markets, guidance and support on the improvement of the formula and know-how of our oral care products as well as testing service to analyse the efficacy and quality of our oral care products from this university. We intend to continue our collaboration with this university and we believe that such collaboration will enable us to gain valuable know-how and enhance our product development capability.

In 2010, with the approval of Jiangsu Department of Science and Technology (江蘇省科學技術廳) and Jiangsu Department of Finance (江蘇省財政廳), we established Jiangsu Provincial Engineering and Research Center for High-Purity Biological Lysozyme and Protease Extracting and Application (江蘇省高純度生物溶菌蛋白酶製取與應用工程技術研究中心). Our principal operating subsidiary, Jiangsu Snow Leopard, was recognised as High and New Technology Enterprise (高新技術企業) in 2005, 2011 and 2014, and our key product, functional toothpaste, was awarded as High and New Technology Product (高新技術產品) in 2015. As at the Latest Practicable Date, we had registered (i) 34 patents in the PRC, which include 10 invention patents and 24 utility model patents; (ii) 196 trademarks in the PRC*(Note)*; and (iii) 8 trademarks in Hong Kong. Under the Patent Law of the PRC, the duration of invention patent right and utility model patent right is 20 years and 10 years respectively, both commencing from the date of application. The 10 invention patents registered by us will expire from 13 January 2030 the earliest, and 19 December 2033 the latest, and the 24 utility model patents registered by us will expire from 21 December 2019 the earliest, and 30 August 2025 the latest.

AWARDS AND CERTIFICATION

The following table sets out our major awards and certifications:

Time of grant	Nature	Recipient	Qualification/ certifications	Granting organisation or authority	Validity period
December 2015, May 2004	Scientific & technology innovation	Jiangsu Snow Leopard	National Torch Plan Project (國家火炬計劃項目)	Torch High Technology Industry Development Centre of the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部火炬高技術產業開發中心)	Not specified
December 2015	Product value	Jiangsu Snow Leopard	Jiangsu Famous Brand – Fe Golden Classic Dentist biological enzyme toothpaste (江蘇名牌產品 – fe金典牙醫牌生物酶牙膏)	Jiangsu Promotion Commission for Famous Brand Strategy (江蘇省名牌戰略推進委員會)	3 years from the date of grant

Note: In order to (i) consolidate our existing brands and focus on the promotion of our core brand names; (ii) enhance our internal trademark management by reducing repetitive trademarks; and (iii) avoid unnecessary trademark disputes, we have applied for the deregistration of 97 trademarks and the transfer of 48 trademarks in the PRC. As at the Latest Practicable Date, our applications for deregistration and transfer are still under review by the relevant trademark authorities.

Time of grant	Nature	Recipient	Qualification/ certifications	Granting organisation or authority	Validity period
December 2015	Product value	Jiangsu Snow Leopard	Well-known Trademark of Jiangsu Province – Fe Golden Classic Dentist (江蘇省著名商標：fe金典牙醫)	Jiangsu Provincial Administration for Industry and Commerce (江蘇省工商行政管理局)	3 years from the date of grant
September 2015	Scientific & technology innovation	Jiangsu Snow Leopard	High and New Technology Product – fe enzyme toothpaste (高新技術產品 – "fe生物溶菌複合酶牙膏")	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳)	5 years from the date of grant
February 2015	Scientific & technology innovation	Jiangsu Snow Leopard	Achievement of Science and Technology – "high-efficacy high-purity biological compound of lysozyme and protease preparation and its derivative products" (科學技術成果 – "高功效高純度生物溶菌蛋白酶複合製劑及衍生用品")	China High-tech Industrialisation Association (中國高科技產業化研究會)	Not specified
January 2015	Scientific & technology innovation	Jiangsu Snow Leopard	2014 Top100 China Rising Leader Technological Innovation Award (中國新興領軍者技術創新獎前100位)	China Enterprise Evaluation Association (中國企業評價協會)	Not specified
August 2014, November 2011, December 2005	Scientific & technology innovation	Jiangsu Snow Leopard	High and New Technology Enterprise (高新技術企業)	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳) and others	3 years from the date of grant (the 2011 and 2014 award); 2 years from the date of grant (the 2005 award)
January 2014	Scientific & technology innovation	Jiangsu Snow Leopard	2013 China Creative Product (2013中國創造力產品)	Xinhua News Agency (新華社)	Not specified
December 2013	Integrity Unit	Jiangsu Snow Leopard	Health and Integrity Brand Enterprise (健康誠信品牌企業)	Healthy China Integrity Action Committee (健康中國誠信行動組委會)	Not specified
December 2013, December 2010, December 2007, December 2004, October 2001, February 1998	Product value	Jiangsu Snow Leopard	Jiangsu Well-known Trademark – Xue Bao (江蘇省著名商標: 雪豹)	Jiangsu Provincial Administration for Industry and Commerce (江蘇省工商行政管理局)	3 years from the date of grant
December 2013, December 2011, January 2008	Product value	Shanghai Snow Leopard	Shanghai Well-known Brand (上海名牌)	Shanghai Well-known Brand Recommendation Committee (上海市名牌推薦委員會)	2 years from the date of grant

Time of grant	Nature	Recipient	Qualification/ certifications	Granting organisation or authority	Validity period
April 2013	Scientific & technology innovation	Jiangsu Snow Leopard	The third prize of 2000-2012 Significant Technology Achievement of the Industry – "Fe Biological Toothpaste" (2000-2012 行業重大科技成果三等獎 – "Fe生物酶牙膏")	China Oral Care Industry Association (中國口腔清潔護理用品工業協會)	Not specified
March 2008	Product value	Jiangsu Snow Leopard	Well-known Trademark of China (中國馳名商標)	State Administration for Industry & Commerce of the PRC Trademark Review and Adjudication Board (中華人民共和國國家工商行政管理總局商標評審委員會)	Not specified
March 2008	Product value	Jiangsu Snow Leopard	Chinese Consumer Satisfactory and Excellent Reputation Brand (中國消費者滿意名特優品牌)	China Light Industry Products Quality Guarantee Centre (中國中輕產品品質保障中心)	1 year

PERMITS, LICENCES AND APPROVALS

As a manufacturer of daily household products, we are subject to the regulation and supervision of various government departments at different levels. Pursuant to relevant laws and regulations, we are required to maintain various licences, permits and approvals in order to produce and launch our daily household products in the PRC. A summary of the laws and regulations to which our business operations are subject is set out in the "Regulations" section in this Prospectus. Our Directors, as advised by our PRC Legal Advisers, confirm that during the Track Record Period and up to the Latest Practicable Date, we have obtained all the licenses, permits and approvals from competent authorities and that such licences, permits and approvals are valid and remain in effect.

The following table sets forth the key permits, licences and approvals relating to our business and operations (apart from those pertaining to general business requirements), their respective purpose, issuing authority and expiry date:

Entities	Permit/License/Approval	Purpose	Issuing authority	Expiry date
Jiangsu Snow Leopard First Branch	National Industrial Product Manufacture Licensing Certificate (Toothpaste) (全國工業產品生產許可證(牙膏))	Production of toothpaste	AQSIQ	9 March 2014 *(Note)*
Jiangsu Snow Leopard First Branch	National Industrial Product Manufacture Licensing Certificate (Cosmetics) (全國工業產品生產許可證 (化妝品))	Production of cosmetics	AQSIQ	2 April 2014 *(Note)*
Jiangsu Snow Leopard First Branch	Hygiene License for the Production Enterprise of Cosmetics (化妝品生產企業衛生許可證)	Production of cosmetics	Jiangsu Food and Drug Administration (江蘇省食品藥品監督管理局)	12 July 2015 *(Note)*

Entities	Permit/License/Approval	Purpose	Issuing authority	Expiry date
Jiangsu Snow Leopard First Branch	National Industrial Product Manufacture Licensing Certificate (Dishwashing Detergent) (全國工業產品生產許可證 (餐具洗滌劑))	Production of dishwashing detergent	AQSIQ	24 November 2016
Jiangsu Snow Leopard First Branch	National Industrial Product Manufacture Licensing Certificate (Pesticide) (全國工業產品生產許可證 (農藥))	Production of anti-moth agent and domestic camphor	AQSIQ	18 January 2020
Jiangsu Snow Leopard	Certificate for Pesticide Registration (農藥登記證)	Production of hygienic insecticide	MoA	10 March 2020
Jiangsu Snow Leopard	Certificate for Manufacture of Pesticide (農藥生產批准證書)	Production of florida water (with 4.5% DEET)	MIIT	7 January 2017
Jiangsu Snow Leopard	Certificate for Pesticide Registration (農藥登記證)	Production of mosquito repellent florida water	MoA	23 September 2019
Jiangsu Snow Leopard	Certificate for Manufacture of Pesticide (農藥生產批准證書)	Production of prallethrin mosquito repellent mats	MIIT	7 January 2017
Jiangsu Snow Leopard	Certificate for Pesticide Registration (農藥登記證)	Production of mosquito repellent mats	MoA	15 June 2019
Jiangsu Snow Leopard	Certificate for Manufacture of Pesticide (農藥生產批准證書)	Production of santochlor anti-moth mould-proof agent	MIIT	7 January 2017
Jiangsu Snow Leopard	Certificate for Pesticide Registration (農藥登記證)	Production of anti-moth mould-proof agent	MoA	25 November 2020
Jiangsu Snow Leopard	Registration Certificate of Customs Declaration Entity (海關報關單位註冊登記證書)	Import and export of goods	Jiangyin Customs (江陰海關)	Long-term effect
Jiangsu Snow Leopard	Membership Certificate of China Commodity Barcode System (中國商品條碼系統成員證書)	Product verification	Global Standard 1 China (中國物品編碼中心)	17 August 2016

Note:

According to the Notice on Effectively Conducting the Work Concerning Cosmetics during Institutional Reform (關於做好機構改革期間化妝品有關工作的通知) issued by JFDA on 25 October 2013, the validity period of the National Industrial Product Manufacture Licensing Certificate (全國工業產品生產許可證) and Hygiene License for the Production Enterprise of Cosmetics (化妝品生產企業衛生許可證) (together, the "Old Permits") shall be automatically postponed until further notice. On 15 December 2015, CFDA issued the Notice on Matters Concerning Production Permit for Cosmetics Products (關於化妝品生產許可有關事項的公告), which provided that the expiry date of the Old Permits shall be 31 December 2016, and production enterprises who currently possess the Old Permits can make application for change of certificate to the relevant provincial food and drug administration from 1 January 2016. Upon the relevant food and drug administration's examination and approval, a Production Permit Certificate for Cosmetics Products (化妝品生產許可證) for a term of 5 years will be issued to the relevant production enterprise. We are in the process of the preparation of the relevant application materials and based on our communication with Wuxi Food and Drug Administration (無錫市食品藥品監督管理局), which is a subordinate body of JFDA, in April 2016, we are advised to submit our application for change of certificate to JFDA in the third quarter of 2016. We

believe and our PRC Legal Advisers concur that the risk of failure to obtain the Production Permit Certificate for Cosmetics Products is remote because (i) as advised by our PRC Legal Advisers, the components of fe enzyme fall within the current list of permitted materials for the manufacture of cosmetics products prescribed by the Regulation on Supervision and Administration of Cosmetics (Revised Draft for Review)（化妝品監督管理條例(修訂草案送審稿)）; (ii) our supervising authority Jiangyin Market and Quality Supervision Bureau（江陰市市場監督管理局）has issued a letter on 29 March 2016 certifying that we have complied with all the laws and regulations in connection with our business operation in the PRC during the Track Record Period; and (iii) we have designated staff for the communication with the responsible government department(s) and follow up with the application status of the Production Permit Certificate for Cosmetics Products.

The planning department of our Company is responsible for monitoring the validity status of our permits, licences and approvals, as well as preparing timely applications for their renewals. Our Directors are not aware of any reason that would cause or lead to non-renewal of our permits, licences and approvals.

PROPERTIES

As at the Latest Practicable Date, we occupied certain properties in the PRC in connection with our business operations. These properties are mainly used for our production facilities, offices and warehouses and are used for non-property activities as defined under Rule 8.01(2) of the GEM Listing Rules.

Owned Properties

As at the Latest Practicable Date, we had obtained land use rights for 3 parcels of land with total areas of 93,899.3 sq.m and 6 building ownership certificates with respect to 26 properties with a total gross floor area of 62,395.85 sq.m, details of which are summarised in the table below:

Address	No. of properties owned by the Company	Site areas (sq.m)	Major use of property	Aggregate gross floor area (sq.m)
No. 44 Qi Shan Road, Cloverleaf Junction, Chengjiang Town, Jiangyin City, Jiangsu Province, the PRC	3	10,713.9	Office, factory and warehouse	3,413.92
No. 34 Qiao Qi Ying Bin Avenue, Xiake Town (also known as Xuxiake Town), Jiangyin City, Jiangsu Province, the PRC	6	33,925.6	Factory and warehouse	34,725.73

Address	No. of properties owned by the Company	Site areas (sq.m)	Major use of property	Aggregate gross floor area (sq.m)
No. 35 Qiao Qi Ying Bin Avenue, Xiake Town (also known as Xuxiake Town), Jiangyin City, Jiangsu Province, the PRC	8	49,259.8	Office, factory and warehouse	20,233.16
No. 42 Zhongshan Road, Qiaoqi Town, Jiangyin City, Jiangsu Province, the PRC	9 *(Note)*	–	Office and factory	4,023.04

Note: These properties were built on a parcel of land leased by us from an Independent Third Party.

As confirmed by our PRC Legal Advisers, we have obtained valid land use rights and building ownership certificates for the above properties.

In addition to the above properties, there are a total of 19 properties for which we have not been able to obtain the building ownership certificates. These 19 properties were built on the 3 parcels of land owned by us respectively with an aggregate gross floor area of 9,267.98 sq.m. Our Directors confirmed that as at the Latest Practicable Date, we have not been subject to any penalty imposed by the relevant government authorities in respect of our uses of these properties. Our Directors further confirmed that the lack of building ownership certificates for these properties would not have any material adverse impact on our business and results of operations as (i) 16 out of these 19 properties were idle as at the Latest Practicable Date; (ii) although 3 properties were being used as power distribution houses and warehouse, if required, we would be able to identify alternative space for relocation within a short period of time and at minimal costs without any disruption to our production or business operations; and (iii) Ms. Li and ChongBo Mary, our Controlling Shareholders, have agreed to fully indemnify us from any potential losses resulted from the abovementioned lack of building ownership certificates. Please refer to the section headed "Business – Non-compliance incidents" in this Prospectus for details and legal impact of the lack of building ownership certificates of certain properties of the Group.

Leased Properties

Leased Land

As at the Latest Practicable Date, we leased a parcel of land from an Independent Third Party, details of which are summarised in the table below:

Address	Site areas *(sq.m.)*	Use of property	Expiration date of lease
No. 42 Zhongshan Road, Qiaoqi Town, Jiangyin City, Jiangsu Province, the PRC (the "**Leased Land**")	4,666	Office and factory	31 December 2016

As advised by our PRC Legal Advisers, the Leased Land was collective land but the lessor of the Leased Land did not obtain the collective land title right certificate (集體土地所有權證), therefore, the title of the Leased Land was defective. As at the Latest Practicable Date, 9 properties owned by us with an aggregate gross floor area of 4,023.04 sq.m were located on the Leased Land and portions of such properties were leased to an Independent Third Party. We acquired these properties in June 2002 through auction and subsequently obtained valid building ownership certificates for these 9 properties in July 2002. Our PRC Legal Advisers are of the opinion that our Group has legally obtained the ownership of the abovementioned properties and the defect in the title of the Leased Land would not affect the validity of our ownership of the properties thereon. However, our PRC Legal advisers have further advised that due to the title defect of the Leased Land, our ability to continue to occupy, use and lease the properties on the Leased Land may be affected if the lessor of the Leased Land is forced to, among others, dispose of or pledge such land.

Having considered that (i) apart from the aforementioned lease of properties to an Independent Third Party, we did not conduct any material production or other business activities on the Leased Land as at the Latest Practicable Date; (ii) we have obtained a confirmation letter from the lessee of our properties on the Leased Land, which confirmed that the lessee was fully aware of the title defect of the Leased Land and was willing to cooperate with us in the relocation if we are no longer able to occupy and lease the Leased Land due to its title defect and would not claim us for any liability of breaching the lease agreement; and (iii) as advised by our PRC Legal Advisers, according to the relevant property law of the PRC and the lease agreement with the lessor of the Leased Land, we will be entitled to indemnities from the owner of the Leased Land for our loss as a result of the title defect of the Leased Land, our Directors are of the view that the title defect of the Leased Land will not have any material adverse impact on our business and financial condition.

Leased premises

We also leased two premises with an aggregate floor area of approximately 254.07 sq.m expiring on 29 September 2016 and 31 December 2016 respectively, which were used as registered office and warehouse for one of our subsidiaries in the PRC. The leases of these two premises had not been registered with the relevant government authorities. As

advised by our PRC Legal Advisers, enforceability of the lease agreements would not be affected by the failure to register. However, in respect of the non-registered lease agreements, we may be ordered by the relevant government authorities to register the lease agreements within a prescribed period, failing which a fine ranging from RMB1,000 to RMB10,000 per unregistered lease agreement may be imposed. Our Directors confirmed that as at the Latest Practicable Date, we had not received any such correction orders. Further, Ms. Li and ChongBo Mary, our Controlling Shareholders, have agreed to fully indemnify us from any potential losses resulted from the abovementioned failure to register.

For details of the property interests of the Group, please refer to the valuation report as set out in Appendix III to this Prospectus. Except for the property interests in the valuation report, none of our properties had a carrying amount of 15% or more of our total assets.

QUALITY AND SAFETY CONTROL

Our Group has implemented a comprehensive and effective quality and safety control system covering every major stage of realisation of our products. We have a dedicated quality control department which comprise 9 staff who have an average industry experience of approximately 8 years. They work in collaboration with our research and development department, procurement department and production and warehousing department to ensure that our products are of high quality and safe and comply with all applicable laws and regulations in the PRC.

At procurement stage, our procurement department selects suppliers with good reputation, technical skills and consistent production quality while our research and development department set out product specification for those suppliers to follow. We require our materials and finished goods suppliers to provide goods that are in line with or above the relevant national and/or industrial standards and our packaging materials suppliers to provide packaging materials that are compatible with our products' design and feature. Such standards are specified in our purchase agreement with the suppliers, and our quality control department performs sample test to ensure that goods and materials received by us are in compliance with our specifications. Only goods and materials meet with our specifications are accepted and transferred into our warehouse.

At production stage, we adopt national and/or industrial standards for the relevant products produced by us. Our production staff are led by experienced engineers who are responsible for giving instructions and monitoring the overall production process. When the products are semi-finished, our quality control staff take sample and perform the first-round of testing. Once the sample passes our quality testing, our production staff progress to the next stage of production. When the finished goods are produced, the quality control staff perform a second-round of sample-testing. If the second-round of sample-testing failed to meet our expectation, the quality control staff will take additional samples from the same batch for their determination of whether this batch of products can progress into warehousing. In addition, we also require our quality control staff to conduct random inspections in our factories to further monitor our production progress.

We will send our products to the relevant product quality supervision and testing institutions for testing (i) before we introduce new products to the market and (ii) on an annual basis. In addition, to further ensure the safety and efficacy of our functional toothpaste, we engaged several reputable medical institutions to conduct clinical study, toxicity test and irritation test on our functional toothpaste. The test results show that our functional toothpaste could effectively suppress and prevent various oral problems and is safe for ordinary use.

We have obtained and been maintaining the required permits, licenses and approvals such as the National Industrial Product Manufacturer Licensing Certificates (全國工業品生產許可證). We also maintain quality control of the design, development and production procedure of our products in conformity to the internationally applied quality management systems requirement – ISO9001:2008. We were accredited by the certification body recognised by AQSIQ since 2003. The certifications demonstrate that our quality control system has met a high degree of assurance.

Our production staff perform routine checks on the equipment to ensure our production lines perform at optimal levels. Our production department is also responsible for carrying out routine maintenance of our production equipment. The age of our production lines ranges from 0 years to 10 years. During the Track Record Period, we had not experienced any material or prolonged stoppages of our production due to equipment failure, nor had we experienced any accidents during the production process.

We recognise that the quality of our products is crucial to the goodwill and image of our brands. Our sales department and quality control department are responsible for processing any comments and/or complaints from our customers. We are committed to and place emphasis on the feedback of our customers on our products. We have implemented after sales services, such as customer service hotlines, manuals on handling customers' complaints and follow-up procedures. We generally deal with and process the complaints in cooperation with the relevant distributors or retailers and provide our replies and solutions within 5 days.

Our Directors confirmed that we had not received any material complaints about the quality of our products from our customers during the Track Record Period and we are not aware of any quality problem in connection with the compliance with the relevant health or safety regulations.

COMPETITION

We face competition from both international and domestic brands in the daily household products market in the PRC. According to the Industry Report, oral care products, leather care products and household hygiene products markets are highly competitive in PRC. Some of our competitors, in particular the international brands, may have been in business longer than we have and have substantially greater financial, product development and other resources than we have. Notwithstanding the above, we have secured a significant market share in the PRC's leather care market and a decent market share in the PRC's oral

care market through our continuous marketing efforts. For further details of our market share and industry ranking, please refer to the section headed "Industry Overview" in this Prospectus.

EMPLOYEES

As at 31 December 2013, 2014 and 2015, we had a total of 269, 289 and 295 full-time employees on our own payroll. Most of our employees are located in China. The relationship and cooperation between our management team and employees have been good and are expected to remain amicable in the future. There has not been any incidence of work stoppages or labour disputes which have caused adverse impact on our operations.

The functional distribution of our Group's employees as at the Latest Practicable Date was as follows:

Division	Number of employee
Planning and training	8
Production and warehousing	144
Sales and marketing	104
Quality control	9
Administration and human resources management	30
Procurement	3
Research and development	10
Finance	18
Total	326

For each of the years ended 31 December 2013, 2014 and 2015, our total staff costs were approximately RMB15.6 million, RMB16.7 million and RMB22.3 million, which accounted for approximately 7.9%, 7.5% and 7.9% of our total turnover, respectively.

We determine our employees' salary based on their job nature, scope of duty, and individual performance. We also provide allowance and discretionary annual bonus for our employees.

Our employees are a valuable resource of our Company. As such, we place emphasis on the training and development of our employees. We offer our employees training programs to enhance their technical and product knowledge. We regularly hold different training for our employees based on their work functions. Our training programs include seminars on product knowledge, marketing skill, financial techniques, activity planning for marketing personnel as well as seminars on machinery operation, workplace safety for production personnel. In 2014 and 2015, we hosted 39 and 29 training programs for our employees respectively. Our training programme is not only used as a platform to constantly upgrade the skills of our employees, it is also used to encourage greater cohesion within our Company, so as to increase overall efficiency and loyalty to our Company. Such training programs are delivered by individuals within our Group.

INSURANCE

During the Track Record Period, our Group maintains social insurance for our employees pursuant to the PRC laws and regulations by making contributions to the mandatory social funds which provide basic retirement, medical, work-related injury, maternity and unemployment benefits. We also participate in a supplemental medical insurance scheme to better protect our employees. For each of the years ended 31 December 2013, 2014 and 2015, our contributions to employee benefit schemes amounted to approximately RMB1.7 million, RMB1.8 million and RMB2.8 million respectively. Further, we maintain insurance for damages to our fixed assets, inventories, office supplies as well as insurance for potential liabilities incurred as a result of environmental pollution accidents. For each of the years ended 31 December 2013, 2014 and 2015, we incurred an expense of approximately RMB115,000, RMB114,000 and RMB95,000 for such insurance schemes, respectively.

We have not maintained any product liability insurance for our products. Since it is not required by the PRC law and is in line with the practice of the daily household products industry, our Directors consider that it is not necessary for us to purchase such insurance and that our current insurance coverage has been sufficient for our business operation.

During the Track Record Period, we did not make any insurance claims which are material to our Group.

ENVIRONMENTAL COMPLIANCE

Our business is subject to relevant PRC national and local environmental laws and regulations which, amongst others, require the payment of fees in connection with activities that discharge waste materials and impose fines and other penalties on facilities that threaten the environment. Our manufacturing process produces certain amount of waste water, solid waste and to a lesser extent gases. As advised by our PRC Legal Advisers, during the Track Record Period, we have been maintaining the necessary pollutant discharging licenses issued by competent environment protection authorities for discharging waste water, solid waste and gases.

We have established system to ensure environmental compliance. We seek to optimise our production by adopting low energy consumption and environmental pollution techniques, implementing environmental-friendly waste disposal methods and enhancing the environmental awareness of our employees through regular trainings. We have also appointed a dedicated staff to monitor our Group's compliance with relevant laws and regulations as well as review and update our internal environmental protection policies. Our management team has the overall responsibility for environmental protection matters within the Group. Our management team reviews the Group's environmental compliance on a quarterly basis and deal with pollution accidents in a timely manner.

We maintain our environmental management system in conformity to the internationally applied environmental protection system requirement – ISO14001:2004. We were accredited by the certification body recognised by AQSIQ since 2009, which demonstrates our waste discharge system meets the standard of environment protection. In 2015, we were also

recognised as enterprise with "Good Environmental Protection Credit" by the Jiangyin Environmental Protection Committee (江陰市環境保護委員會) under its appraisal system. As advised by our PRC Legal Advisers, we believe that our operations were in compliance with all material respects of the currently applicable environmental protection laws and regulations at national and local levels in the PRC during the Track Record Period and up to the Latest Practicable Date.

For each of the years ended 31 December 2013, 2014 and 2015, we incurred costs of approximately RMB10,000, RMB227,000 and RMB68,000, respectively, in connection with our compliance with applicable environmental laws and regulations.

We have not been subject to any material claims or penalties in relation to environmental protection and have not been involved in any environmental accidents or fatalities during the Track Record Period.

MATERIAL INTELLECTUAL PROPERTY RIGHTS

We regard patents, trademarks, trade secrets and other intellectual property rights as our important assets. We believe having those intellectual property rights are very important to our success. We rely on a combination of brand names, trademarks and other intellectual property rights to protect our goodwill and products.

We have identified a number of trademarks registered in the PRC owned by or licensed to us namely "Red Bull (紅牛)", "Zebra (斑馬)" and "Sanqiang (三槍)" (the "**Famous Trademarks**") which may bear certain degree of resemblance to other popular or relatively popular brands or products (the "**Third Party Popular Brands**"). The commercial rationales for registering, purchasing or licensing the Famous Trademarks are as follows:

"**Red Bull (紅牛)**"

The trademark "Red Bull (紅牛)" is a self-owned trademark registered by us in 2003 due to our intention to develop a new leather care product brand, secondary to our then existing established leather care product brand "Xue Bao (雪豹)". The word "Bull (牛)" was adopted as we wished that the new brand name can highlight the leather-care nature of the products and at the relevant time cowhide shoe was popular in the PRC. The word "Red (紅)" was adopted as it represents festivity and vitality in the PRC. We have been using this trademark on our leather care products since 2006. For each of the years ended 31 December 2013, 2014 and 2015, our revenue generated from products sold under the "Red Bull (紅牛)" brand amounted to approximately RMB2.7 million, RMB2.2 million and RMB1.7 million, respectively.

"**Zebra (斑馬)**"

The trademark "Zebra (斑馬)" was registered in the PRC in 1981. It was licensed to us by Shanghai Victoria Bio-Chemical Products Factory Co, Ltd* (上海維多俐生物化學品廠有限公司) ("**Shanghai Victoria**") at nil consideration for the period from 1 March 2003 to 28 February 2013 pursuant to a trademark licensing agreement dated 3 March 2003; and for the period from 1 March 2013 to 28 February 2023 pursuant to an exclusive trademark licensing

agreement dated 1 March 2013 (the "**Exclusive Trademark Licensing Agreement**"). Shanghai Victoria was principally engaged in, among others, the distribution of toothpastes and shoe polishes. Shanghai Victoria ceased its business in the toothpaste and shoe polish industry, which included its production of leather care products under the brand "Zebra Shoe Polish (斑馬鞋油)" in 2003. Following the cessation of business of Shanghai Victoria, we decided to enter into a licensing arrangement with Shanghai Victoria for the trademark "Zebra (斑馬)" as we considered that the brand "Zebra Shoe Polish (斑馬鞋油)" was established in the PRC and thus were of the view that the licensing arrangement would be beneficial to our expansion in the shoe polish market in the PRC. We have been using this licensed trademark on our leather care products since 2004. As confirmed by Shanghai Victoria, save for Jiangsu Snow Leopard, Shanghai Victoria has never authorised any individual or institution to use the trademark "Zebra (斑馬)" to produce or sell any product. Shanghai Victoria also confirmed that it has ceased to produce and sell products under the brand "Zebra (斑馬)" since 2003. Shanghai Victoria further confirmed that it would not unilaterally terminate the Exclusive Trademark Licensing Agreement, and would not initiate any claim or action, or enforce any right against Jiangsu Snow Leopard with regard to the Exclusive Trademark Licensing Agreement. For each of the years ended 31 December 2013, 2014 and 2015, our revenue generated from products sold under the "Zebra (斑馬)" brand amounted to approximately RMB0.7 million, RMB0.6 million and RMB0.5 million, respectively. Due to the relatively small amount of revenue generated by products sold under the "Zebra (斑馬)" brand, we have ceased selling products under the "Zebra (斑馬)" brand and have terminated the Exclusive Trademark Licensing Agreement with Shanghai Victoria by mutual agreement.

"**Sanqiang (三槍)**"

The previous trademark "Sanqiang (三槍)" was purchased by us from an independent third party in 1998. The said trademark was registered in the PRC in or around 1987 by the said independent third party, which was principally engaged in, among others, the production of leather shoes, and the said trademark was used on its leather shoes. Following the cessation of business of the said independent third party in 1998, we decided to purchase the previous trademark "Sanqiang (三槍)" as we considered that leather shoes were closely related to our leather care products and thus were of the view that the acquisition of the said trademark would be beneficial to our business expansion in leather-related products. We have been using this trademark on our production of complimentary leather shoes gifts to our customers since 1998. We modified the trademark "Sanqiang (三槍)" and made another registration in the PRC in 2013. During the Track Record Period, our Group did not generate any revenue from products marketed or sold under the "Sanqiang (三槍)" brand.

Legal risks of the Famous Trademarks

As advised by the PRC Legal Advisers, according to the relevant PRC trademark regulations including the Trademark Law of the PRC (中華人民共和國商標法), if a registered trademark (the "**Infringing Trademark**") is a copy, imitation or translation of a "well-known trademark (馳名商標)" accredited by the Trademark Office of The State Administration For Industry & Commerce of the PRC (the "**PRC Trademark Office**"), and if the retention or use of which will mislead the public and cause damages to the owner of the said well-known trademark, the said owner can request the Trademark Review and

Adjudication Board of the State Administration for Industry & Commerce of the PRC (the "**Trademark Review and Adjudication Board**") to declare the Infringing Trademark invalid within 5 years from the date of its registration. In case of registration with malicious intent, such invalidation request can be filed to the Trademark Review and Adjudication Board without any limitation period. The registrant with malicious intent may be liable for compensation for the damages caused by the retention or use of the Infringing Trademark.

Our Directors considered, and our PRC Legal Advisers concur, that such legal risk is remote given the following:

- our Group has the legal and exclusive rights to use the Famous Trademarks which have been registered by our Group or other independent third parties with the PRC Trademark Office for the relevant types of products and such product types are different from those of the Third Party Popular Brands;

- concerning our trademark "Red Bull (紅牛)", according to the judgement issued by the PRC Trademark Office dated 9 September 2009, an Independent Third Party (the "**Applicant**") disputed the registration of the trademark "Red Bull (紅牛)" by us. We submitted to the PRC Trademark Office, among others, that (i) there was a clear difference between the product types of the Applicant and that of our Group; and (ii) our trademark "Red Bull (紅牛)" did not resemble the trademark of the Applicant. The PRC Trademark Office ruled that the said trademark did not constitute a copy of the registered trademark "紅牛 Redbull 及圖" owned by the Applicant and that there was no sufficient evidence to prove that "Red Bull (紅牛)" was an imitation trademark. Accordingly, the PRC Trademark Office approved our registration of the trademark "Red Bull (紅牛)";

- all the Famous Trademarks have been registered, purchased or licensed and used by us for a long period of time and thus we considered the chance of claims for invalidation or compensation being remote;

- we confirmed that there was no malicious intent for the registrations or purchase of the Famous Trademark by us and that there were clear and legitimate commercial rationales for maintaining the Famous Trademarks;

- we confirmed that the Famous Trademarks were not obtained by us under any fraudulent or inappropriate means; and

- as at the Latest Practicable Date, we are not aware of any ongoing dispute, litigation or action instituted against us for the retention or use of the Famous Trademark.

Trademark proceedings initiated by our Group

Our Group has initiated the following two proceedings in the PRC against Independent Third Parties in relation to our registered trademarks:

"Xue Bao Dian Qi (雪豹電器)"

The trademark "Xue Bao Dian Qi (雪豹電器)" was registered by our Group under the category of, among others, computer products on 14 January 2000. In or around January 2012, our Group discovered that a number of Independent Third Parties (the "**Defendants**") were advertising and/or selling computers pre-installed with operation systems under the name of "Snow Leopard (雪豹)". As a result, our Group initiated a legal proceeding in the PRC against the Defendants for, among others, their infringement of our trademark "Xue Bao Dian Qi (雪豹電器)" in July 2012. Later in October 2013, since (i) the PRC Trademark Office was considering the validity of our Group's registration of the said trademark at the time of the proceeding and had not issued a decision; (ii) to the best knowledge of our Group, the Defendants had ceased the infringement of the said trademark at the material time; and (iii) our Group considered that the actual damages of the infringement of the said trademark by the Defendants were not significant, our Group withdrew the proceeding. Subsequently in November 2013, the PRC Trademark Office issued a decision confirming the validity of our Group's registration of the said trademark.

"Xue Bao (雪豹)" and "Bangshi (邦仕)"

As confirmed by the Directors, in 2007, our Group entered into an agreement with an Independent Third Party, pursuant to which, among other obligations to be performed by the parties, our Group agreed to license the trademarks "Xue Bao (雪豹)" and "Bangshi (邦仕)" to the Independent Third Party for use on a product to be jointly developed by them. The Independent Third Party later failed to perform its obligation under the agreement and our Group initiated a legal proceeding against it for breach of agreement. Our Group subsequently reached a settlement with the said Independent Third Party and withdrew the legal proceeding in December 2007. The said licensing arrangement was also terminated by mutual agreement.

Save as disclosed above, we did not initiate any threats, demands or proceedings against any Independent Third Parties in connection with our registered trademarks.

In order to (i) consolidate our existing brands and focus on the promotion of our core brand names; (ii) enhance our internal trademark management by reducing repetitive trademarks; and (iii) avoid unnecessary trademark disputes, we have applied for the deregistration of 97 trademarks and the transfer of 48 trademarks in the PRC. As at the Latest Practicable Date, our applications for deregistration and transfer are still under review by the relevant trademark authorities.

As at the Latest Practicable Date, we are not aware of:

- any material infringement of trademarks, registered designs, copyrights, patents or other intellectual property rights owned by us during the Track Record Period;

- any material litigation or disputes regarding the intellectual property rights owned by us during the Track Record Period; and

- any material infringement of intellectual property rights owned by any third party.

Save for the trademarks, registered designs, utility model patents, invention patents and domain names disclosed in this Prospectus, our business and profitability are not dependent on any other trademarks, registered designs, copyrights, patents or other intellectual property rights.

Details of our intellectual property rights as at the Latest Practicable Date are set out in the section headed "Appendix V – Statutory and General Information – B. Further information about the business – 2. Intellectual property rights of our Group" to this Prospectus.

OCCUPATIONAL HEALTH AND WORKPLACE SAFETY

We regard occupational health and safety as one of our most important responsibilities.

The PRC government imposes a number of regulatory requirements on industrial companies with regard to employee safety. Please refer to the paragraphs headed "Regulations – Rules Relating to our Products" in this Prospectus for the discussion of these requirements. Based on such requirements, we have implemented safety guidelines in relation to safety control procedures and standards, including procedures for handling safety issues and accident investigation procedures. There are fire extinguishers placed within our production workshops, and we have assigned a designated staff to monitor the occupational health and workplace safety. All the new employees are required to complete a safety operation seminar before entering into their respective positions and all employees are required to attend workplace safety educational activities regularly held by us.

We maintain our occupational health and workplace safety management system in conformity to the internationally applied occupational health and safety management systems requirements – OHSAS18001:2007. We were accredited by the certification body recognised by AQSIQ since 2012, which demonstrates our work place environment attests to a high safety standard.

As advised by our PRC Legal Advisers, during the Track Record Period, we had obtained all material permits for production safety necessary to conduct our business and had been in compliance with applicable safety laws and regulations in all material aspects. Our Directors confirm that there were no material accidents, health injuries or any non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, no member of our Group or any of our Directors was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group or any of our Directors, that would have a material adverse effect on its business, results of operations or financial condition. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

NON-COMPLIANCE INCIDENTS

Non-compliance with PRC laws and regulations

Our Group had not fully complied with certain PRC laws and regulations for each of the years ended 31 December 2013, 2014 and 2015. Details of the relevant non-compliance events are set out below:

Types of non-compliance	Particulars of non-compliance	Reasons for non-compliance	Remedial actions taken	Legal consequences, potential maximum penalty and provisions
Non-compliance in relation to the PRC social insurance fund	Jiangsu Snow Leopard has failed to fully pay social insurance for its employees. For each of the years ended 31 December 2013, 2014 and 2015, the unpaid social insurance amounts were approximately RMB1.7 million, RMB2.2 million and RMB1.4 million respectively.	The non-compliance was unintentional. Such non-compliance incident was mainly caused by (i) the inconsistent implementation or interpretation of the relevant PRC laws and regulations by local authorities; and (ii) our designated staff's lack of understanding of the relevant PRC laws and regulations.	Jiangsu Snow Leopard has started to make full social insurance contributions for its employees in compliance with the relevant laws and regulations since 1 July 2015. Ms. Li and ChongBo Mary, our Controlling Shareholders, have undertaken to indemnify our Group against any costs, expenses and/or damages arising from the non-compliance. As a result, our Directors confirmed that such non-compliance incident would not have any material adverse effect on our business operations and financial condition.	As advised by our PRC Legal Advisers, according to the Social Insurance Law of the PRC (中華人民共和國社會保險法), Jiangsu Snow Leopard may be required to make up the shortfall within a prescribed time and pay a daily late fee at the rate of 0.05% of the outstanding amount from the due date. If Jiangsu Snow Leopard still fails to pay, it may be further required to pay a fine of 1 to 3 times the outstanding amount upon it. Jiangyin Human Resources and Social Security Bureau (江陰市人力資源和社會保障局) (the "Social Security Bureau") issued a letter of confirmation on 5 August 2015 confirming that Jiangsu Snow Leopard did not have any record of outstanding payments of social insurance and was not imposed any penalty as a result of non-compliance with relevant social insurance laws and regulations. Our PRC Legal Advisers are of the view that the Social Security Bureau is the competent authority to issue the above confirmation. Pursuant to the interview with the Social Security Bureau conducted by our PRC Legal Advisers on 6 August 2015, the Social Security Bureau will not take action against Jiangsu Snow Leopard proactively, but it is subject to its employee's appeal. For each of the years ended 31 December 2013, 2014, 2015 and up to the Latest Practicable Date, our Group had not been subject to any penalty imposed by the governmental authorities in relation to social insurance payments nor are we aware of any employee complaints or demands for payments of previously unpaid contributions. Our PRC Legal Advisers are of the view that based on the abovementioned confirmations and interview, the risk that Jiangsu Snow Leopard will be required to make the unpaid social insurance contributions or any penalty is relatively low. Therefore, we did not make any provision for such unpaid amount and any potential penalties.

Types of non-compliance	Particulars of non-compliance	Reasons for non-compliance	Remedial actions taken	Legal consequences, potential maximum penalty and provisions
Non-compliance in relation to the PRC housing provident fund	Jiangsu Snow Leopard has failed to set up housing provident fund accounts and make housing provident fund payments for its employees prior to May 2015. For each of the years ended 31 December 2013, 2014 and 2015, the unpaid amounts were approximately RMB0.8 million, RMB1.1 million and RMB0.5 million respectively.	The non-compliance was unintentional. Such non-compliance incident was mainly caused by (i) the inconsistent implementation or interpretation of the relevant PRC laws and regulations by local authorities; and (ii) our designated staff's lack of understanding of the relevant PRC laws and regulations. In addition, due to personal reasons, some of our employees preferred not to participate in the housing provident fund regime, and we have provided them with free accommodation.	Jiangsu Snow Leopard has registered, opened accounts and started to make contributions to the housing provident fund for its employees in compliance with the relevant laws and regulations since May 2015. Ms. Li and ChongBo Mary, our Controlling Shareholders, have undertaken to indemnify our Group against any costs, expenses and/or damages arising from the non-compliance. As a result, our Directors confirmed that such non-compliance incident would not have any material adverse effect on our business operations and financial condition.	As advised by our PRC Legal Advisers, according to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), Jiangsu Snow Leopard may be required to make up the underpayment within a prescribed time. If Jiangsu Snow Leopard still fails to pay, the competent housing provident fund management authority is entitled to apply to the People's Court for enforcement. The Wuxi Housing Provident Fund Management Center Jiangyin Branch (無錫市住房公積金管理中心江陰市分中心) (the "Housing Provident Fund Management Center") issued a letter of confirmation confirming that Jiangsu Snow Leopard had made housing provident fund payments in accordance with the relevant laws and regulations since May 2015. Our PRC Legal Advisers are of the view that the Housing Provident Fund Management Center is the competent authority to issue the above confirmation. Pursuant to the interview with the Housing Provident Fund Management Center, conducted by our PRC Legal Advisers on 6 August 2015, the Housing Provident Fund Management Center will not take action against Jiangsu Snow Leopard proactively, but it is subject to its employee's appeal. For each of the years ended 31 December 2013, 2014, 2015 and up to the Latest Practicable Date, our Group had not been subject to any penalty imposed by the governmental authorities in relation to housing provident fund payments nor are we aware of any employee complaints or demands for payment of previously unpaid contributions. Our PRC Legal Advisers are of the view that based on the abovementioned confirmations and interview, the risk that Jiangsu Snow Leopard will be required to make the unpaid housing provident fund contributions or any penalty is relatively low. Therefore, we did not make any provision for such unpaid amount and any potential penalties.

Types of non-compliance	Particulars of non-compliance	Reasons for non-compliance	Remedial actions taken	Legal consequences, potential maximum penalty and provisions
Non-compliance in relation to property ownership	Jiangsu Snow Leopard has failed to obtain building ownership certificates for 19 buildings (the "**Defective Properties**").	The non-compliance was unintentional. Such non-compliance incident was mainly caused by our designated staff's unintended and inadvertent oversight of the relevant PRC laws and regulations.	All the 19 Defective Properties were built on land owned by Jiangsu Snow Leopard and 13 of them are located in the planned scope of demolition. On 12 August 2015, the House Acquisition (Demolition) Center of Chengjiang Street of Jiangyin City (江陰市澄江街道房屋徵收(拆遷)中心) issued a letter confirming that the 13 building located in the planned scope of demolition will be deemed as having proper property ownership and Jiangsu Snow Leopard will be compensated upon demolition of the 13 buildings. Out of the 19 Defective Properties, 16 properties were idle as at the Latest Practicable Date. The remaining 3 properties were used as power distribution houses and warehouse and are, individually or collectively, not crucial to the operation of the Group. We have prepared a contingent relocation plan in the case we are required by the relevant government authorities to vacate from or dismantle the 3 properties we are currently using. It is estimated that the relocation of the power distribution facilities and inventories from these 3 properties could be completed within 15 days and the estimated costs will amount to approximately RMB0.4 million. The relocation is not expected to cause any disruptions to our production. During the Track Record Period and up to the Latest Practicable Date, our Group did not receive any order from governmental authorities to dismantle the Defective Properties and had not been subject to any penalty imposed by the governmental authorities in relation to the Defective Properties. Our Controlling Shareholders Ms. Li and ChongBo Mary have undertaken to indemnify our Group against any costs, expenses and/or damages arising from the non-compliance. Based on the above, our Directors confirmed that such non-compliance incident would not have an adverse effect on our business operations and financial condition.	As advised by our PRC Legal Advisers, according to the property laws of the PRC, Jiangsu Snow Leopard is not entitled to legal protection for the buildings without building ownership certificates. Further, according to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法) and the Jiangsu Urban and Rural Planning Regulation (江蘇省城鄉規劃條例), Jiangsu Snow Leopard may be required to take measures to correct its impact on the urban and rural planning within a prescribed time and pay a fine of not less than 5% and not more than 10% of the construction cost of the property. If it is impossible to take measures, Jiangsu Snow Leopard may be required to dismantle the building within a prescribed time, confiscate the real objects or the illegal gain, and pay a fine not more than 10% the construction cost. The aggregate construction costs of the Defective Properties amounted to approximately RMB4.0 million, implying a maximum potential fine of approximately RMB0.4 million. We did not make any provision for the potential penalties.

Save and except for those disclosed above, our PRC Legal Advisers confirmed that each of the PRC subsidiaries of our Company has obtained all the necessary governmental authorisations, approvals and certificates under PRC laws and regulations to conduct its business. As at the Latest Practicable Date, such authorisations, approvals and certificates have not been revoked.

Set out in the section headed "Regulations" are the relevant PRC laws and regulations applicable to our operations and business. Nevertheless, there is no assurance that such laws and regulations will not change in the future.

Non-compliance with the Predecessor Companies Ordinance

FE Golden Classic, one of our subsidiaries incorporated in Hong Kong, has inadvertently breached certain sections of the Predecessor Companies Ordinance during the Track Record Period. Details of the relevant non-compliance events are set out below:

Types of non-compliance	Particulars of non-compliance	Reasons for non-compliance	Remedial actions taken	Legal consequences, potential maximum penalty and provisions
Non-compliance with section 158(4) of the Predecessor Companies Ordinance	Late filing of Form D2B reporting change of address of the secretary in 2011.	FE Golden Classic had been relying on its then external company secretary for the preparation of its filings with the Companies Registry, who had inadvertently delayed the filing.	The form was filed on 27 August 2015.	Under the Predecessor Companies Ordinance, FE Golden Classic and every officer who was in default shall be liable to a potential maximum principal fine of HK$10,000 and a potential maximum daily default fine of HK$300 (subject to a statutory limitation of three years) for the offence. As advised by our Legal Counsel, the chance of prosecution is quite remote since the late filing is not non-compliance in a very serious nature. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is quite remote.
Non-compliance with section 122 of the Predecessor Companies Ordinance	No profit and loss account and balance sheet were laid before the company at its annual general meetings of 2013 and 2014.	FE Golden Classic had been relying on its then external company secretary for accounting and company secretarial matters, who had failed to instruct the accountants for the preparation of the relevant financial statements in time.	Our Directors are of the view that no remedial action is necessary given (i) the reluctance of the court in entertaining the application for remedying breaches regarding laying/approval of profit and loss account and balance sheet; (ii) the chance of prosecution is not particularly high as advised by our Legal Counsel; and (iii) the indemnity by the Controlling Shareholders to our Group pursuant to the Deed of Indemnity.	Under the Predecessor Companies Ordinance, FE Golden Classic's directors shall be liable to a potential maximum fine of HK$300,000 each and imprisonment for 12 months. As advised by our Legal Counsel, the chance of prosecution is not particularly high since (i) the directors and shareholders of FE Golden Classic were the same persons and were aware of the financial affairs of it, and hence this is not a case of the directors of a limited company trying to prejudice or deceive the shareholders as to the financial affairs of the company; and (ii) all the audited financial statements have been laid in annual general meeting in 2015. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is not particularly high and, since the non-compliances were not committed willfully, the court will not impose prison sentence on the directors.

CORPORATE GOVERNANCE AND INTERNAL CONTROL MEASURES TO ENSURE FUTURE COMPLIANCE

In order to improve our corporate governance and to prevent recurrence of non-compliance incidents in the future, we have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of these internal control measures include the following:

- we have set up the following specific internal control policies to prevent the re-occurrence of our historical non-compliance incidents: (i) with regard to our non-compliance in relation to the failure to make social insurance fund and housing provident fund contributions in full, we have adopted written policies requiring each subsidiary of our Company to strictly comply with the relevant social insurance fund and housing provident fund laws and regulations in the PRC. We have also assigned a designated staff to maintain a registry of the list of employees eligible for the social insurance and housing provident fund schemes and the amount of payments in compliance with the relevant laws and regulations. Our head of administration and human resources management department will be primarily responsible for the implementation of such policies and our accounting department will examine the accuracy and completeness of the contribution amounts on a monthly basis and report the compliance status to our chief financial officer and company secretary; (ii) with regard to our non-compliance in relation to the failure to obtain building ownership certificates for some of our properties, we have adopted written policies requiring each subsidiary of the Company to obtain all necessary permits and approvals in accordance with the relevant laws and regulations in the construction of properties and to ensure that all land and buildings owned or leased by the Group shall have appropriate title documents. We also assigned a designate staff to monitor the compliance status in relation to the properties of the Group and report to our head of planning department on a monthly basis who will in turn report such status to our chief financial officer and company secretary; and (iii) with regard to our non-compliance in relation to the failure to prepare financial statements in accordance with the Predecessor Compliance Ordinance, we have adopted written policies detailing the relevant statutory requirements and assigned a designated staff to maintain a registry of the relevant corporate documents and certificates and the relevant regulatory filing and renewal requirement applicable to our Group;

- our Directors and Mr. Lau Shun Pong Johnson, our chief financial officer and company secretary attended training sessions provided by our Hong Kong legal advisers, Loong & Yeung, on 26 August 2015 and 16 September 2015 in respect of the relevant requirements of the GEM Listing Rules and duties of directors of companies listed in Hong Kong;

- we have adopted various internal control policies to ensure ongoing compliance with the GEM Listing Rules and other relevant laws and regulations in Hong Kong and the PRC;

- we have engaged an independent internal control consultant to perform evaluation under the committee of sponsoring organisations of the Treadway commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system, including finance and accounting procedures, cash management procedures, procurement and accounts payable procedures, inventory management procedures, sales and accounts receivable procedures, and IT general control measures. The independent internal control consultant performed the work and put forward its recommendations in July 2015 based on its review of our internal control systems. We have implemented the recommended rectification and improvement measures. The independent internal control consultant conducted follow-up review in August 2015 and concluded that save as those would normally be completed shortly before the Listing, the relevant recommendations had been adopted;

- an audit committee comprising all independent non-executive Directors has been established to review and supervise our financial report process and internal control system;

- we have designated Ms. Li, our chairman and compliance officer, to assist the Board to oversee and monitor the due compliance with the relevant laws, rules and regulations applicable to our Group; and

- we have engaged First Shanghai Capital Limited as our compliance adviser after Listing to advise the Company in relation to the GEM Listing Rules.

Ms. Li, our chairman and compliance officer, will be responsible for overseeing the implementation of the above measures with the assistance of Mr. Lau Shun Pong Johnson, our chief financial officer and company secretary. Having considered the professional qualifications and working experiences of Mr. Lau, details of which are set out in the section headed "Directors, Senior Management and Staff" in this Prospectus, our Directors are of the view that with the assistance of Mr. Lau, Ms. Li is competent in overseeing the compliance matters of the Group. Our Directors believe and the Sponsor concurs that the enhanced internal control measures and the remedial actions above are adequate and effective in preventing the re-occurrence of similar non-compliance in the future.

In addition, our Directors are of the view and the Sponsor concurs that the above non-compliance incidents would not impugn the integrity or competence of our Directors or affect the suitability of our Directors and our Company under Rules 5.01, 5.02 and 11.06 of the GEM Listing Rules on the following basis:

- the above non-compliance incidents were not of serious nature, and did not and will not have any material operational, legal and financial impact on our Group;

- the above non-compliance incidents were mainly caused by our staff or our external company secretary's unintended and inadvertent oversight or lack of understanding of the relevant laws and regulations and did not involve dishonesty or fraud on the part of our Directors;

- with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance, and there are measures in place for preventing recurrence of non-compliance as disclosed above, including but not limited to the assignment of designated responsible staff and clear reporting mechanism such that our Directors and senior management could properly supervise and monitor the relevant staff to ensure our Group operates in compliance with the relevant laws and regulations, and such measures are considered adequate and effective; and

- upon the training provided to our Directors, our Directors are fully aware of the requirements and obligations as directors of a listed issuer pursuant to the GEM Listing Rules.

RISK MANAGEMENT

Our Board is responsible for overseeing and managing the overall risks associated with our operations. Our Directors have confirmed that during the ordinary course of our business, we are primarily exposed to (i) operational risks; (ii) financial risks; and (iii) regulatory risks in relation to our business.

To address these risks, we have adopted a number of measures including the following:

- carrying out risk evaluation annually by analysing information obtained from our employees, clients, suppliers and other persons to identify the operational risks;

- carrying out risk evaluation relating to the financial reports and comparing our performance with those enterprises of similar size or in the same industry annually;

- establishing an audit committee to review and supervise our financial reporting process and internal control system; and

- carrying out comprehensive evaluation on possible fraudulent behaviours and misconducts with the aim to prevent or discover these irregular behaviours.

For more details on risks associated with our Company, please refer to the section headed "Risk Factors" in this Prospectus.

Our Directors have confirmed that during the Track Records Period, save as disclosed in the Prospectus, no material failure occurred and we believe that our risk management system is sufficient and effective.

DIRECTORS

The Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Year of joining our Group	Present position	Date of appointment as Director	Roles and responsibilities	Relationship with the other Directors
Executive Directors						
Ms. Li Qiuyan (李秋雁)	55	1992	Chairman and executive Director	29 July 2015	Serves on the remuneration committee of the Board and nomination committee of the Board; overall management and formulation of business strategy of our Group	Step-mother of Mr. Tong and cousin of Ms. Du Yongwei
Mr. Tong Xing (童星)	40	1994	Chief Executive Officer and executive Director	29 July 2015	Overall management and operation of our Group	Step-son of Ms. Li
Ms. Du Yongwei (杜永衛) (also known as Ms. Du Yongwei (杜咏衛))	45	1992	Executive Director	29 July 2015	Overall financial and operation of our Group	Cousin of Ms. Li
Independent non-executive Directors						
Mr. Ye Jingzhong (葉敬仲)	65	2016	Independent non-executive Director	17 June 2016	Serves on the Audit Committee, remuneration committee of the Board and nomination committee of the Board; responsible for overseeing the management independently	N/A
Mr. Qian Zaiyang (錢在揚)	59	2016	Independent non-executive Director	17 June 2016	Serves on the Audit Committee, remuneration committee of the Board and nomination committee of the Board; responsible for overseeing the management independently	N/A
Mr. Tang Wai Yau (鄧維祐)	41	2016	Independent non-executive Director	17 June 2016	Serves on the Audit Committee; responsible for overseeing the management independently	N/A

Executive Directors

Ms. Li Qiuyan（李秋雁）, aged 55, is the chairman of our Company and a Controlling Shareholder. Ms. Li was first appointed as a director of our Company on 29 July 2015, and was redesignated as our executive Director on 17 June 2016. She was also appointed as the chairman of the nomination committee of the Board and a member of the remuneration committee of the Board on 17 June 2016. She is responsible for the overall management and formulation of business strategy of our Group. Ms. Li is the step-mother of Mr. Tong, our executive Director and the chief executive officer of our Company. She is also the cousin of Ms. Du Yongwei, our executive Director.

Ms. Li was accredited as a senior economist by Jiangsu Province Human Resources and Social Protection Agency*（江蘇省人力資源和社會保障廳）in October 2012. She passed the Jiangyin City Advanced Enterprise Capital Management Training Course and Jiangsu Province Small and Medium-sized Enterprises Advanced Business Administration Training Course held by Nanjing University（南京大學）in the PRC in September 2011 and September 2012, respectively.

Ms. Li joined our Group in October 1992. She was the deputy head of factory of the School-run Factory, the predecessor of Jiangsu Snow Leopard, from 1992 to August 1994. She was a deputy general manager of the School-run Factory and Jiangsu Snow Leopard from September 1994 to March 2002, and from April 2002 to October 2010, respectively. Ms. Li was the general manager of Jiangsu Snow Leopard from November 2010 to March 2012, and she has been the chairman of the board of directors of Jiangsu Snow Leopard since November 2010.

Ms. Li was previously a director or legal representative or responsible person of the companies shown in the table below at the time of their respective dissolution:

Company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Date of dissolution	Means of dissolution
Italy Bosiman Clothing Limited（意大利波斯曼服飾有限公司）	Hong Kong	Inactive	Director	11 March 2011	Striking off
Italy Laorentou International Development (Holding) Limited（意大利老人頭國際發展(集團)有限公司）	Hong Kong	Inactive	Director	9 January 2009	Striking off
Shanghai Snow Leopard Industry and Trade Company Limited*（上海雪豹科工貿有限公司）	PRC	Inactive	Legal representative	9 October 2010	Dissolved by members' resolutions
Jiangsu Snow Leopard Daily Chemical Co., Ltd. Nanjing Branch*（江蘇雪豹日化有限公司南京分公司）	PRC	Inactive	Responsible person	15 May 2007	Dissolved by members' resolutions

Company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Date of dissolution	Means of dissolution
Jiangsu Snow Leopard Daily Chemical Co., Ltd. Wuxi Branch*（江蘇雪豹日化有限公司無錫分公司）	PRC	Inactive	Responsible person	13 July 2007	Dissolved by members' resolutions
Jiangsu Snow Leopard Daily Chemical Co., Ltd. Taizhou Branch*（江蘇雪豹日化有限公司泰州分公司）	PRC	Inactive	Responsible person	27 March 2013	Dissolved by members' resolutions
Jiangsu Snow Leopard Daily Chemical Co., Ltd. Chengdu Branch*（江蘇雪豹日化有限公司成都分公司）	PRC	Inactive	Responsible person	22 October 2003	Dissolved by members' resolutions

Ms. Li confirmed that the reason for dissolution of the above companies was that they had either never commenced business or operation or ceased to carry on business or operation prior to their respective dissolution. Ms. Li confirmed that there was no wrongful act on her part leading to the dissolutions and she is not aware of any actual or potential claim has been or will be made against her as a result of the dissolutions, and that her involvement in the above companies was part and parcel of her services for these companies and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Ms. Li is also a supervisor of Jiangsu Jiangyin Rural Commercial Bank Company Limited*（江蘇江陰農村商業銀行股份有限公司）. During the three years immediately preceding the Latest Practicable Date, Ms. Li has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Tong Xing（**童星**）, aged 40, was appointed as a director of our Company on 29 July 2015 and was redesignated as our executive Director on 17 June 2016. Mr. Tong is also the chief executive officer and a Substantial Shareholder of our Company. He is primarily responsible for the overall management and operation of our Group. Mr. Tong is the step-son of Ms. Li, an executive Director and the chairman of our Company.

Mr. Tong was accredited as a senior economist by the Jiangsu Province Human Resources and Social Protection Agency*（江蘇省人力資源和社會保障廳）in August 2014. He completed an advanced MBA seminar provided by Tongji University（同濟大學）in the PRC in July 2003.

Mr. Tong joined our Group in April 1994. He worked at the School-run Factory, the predecessor of Jiangsu Snow Leopard, as a deputy business manager of the marketing department from April 1994 to August 1994, and was promoted to the position of business manager during the period between September 1994 and March 2002. From April 2002 to October 2010, Mr. Tong was the head of the marketing department of Jiangsu Snow

Leopard. Mr. Tong was the vice chairman of the board of directors and deputy general manager of Jiangsu Snow Leopard from November 2011 to March 2012. He has been the general manager of Jiangsu Snow Leopard since April 2012.

Mr. Tong was previously a director and/or general manager or supervisor or responsible person or legal representative of the companies shown in the table below at the time of their respective dissolution:

Company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Date of dissolution	Means of dissolution
Italy Bosiman Clothing Limited (意大利波斯曼服飾有限公司)	Hong Kong	Inactive	Director	11 March 2011	Striking off
Italy Laorentou International Development (Holding) Limited (意大利老人頭國際發展(集團)有限公司)	Hong Kong	Inactive	Director	9 January 2009	Striking off
Shanghai Snow Leopard Industry and Trade Company Limited* (上海雪豹科工貿有限公司)	PRC	Inactive	Director and general manager	9 October 2010	Dissolved by members' resolutions
Beijing Laorentou Household Leather Maintenance Services Company Limited* (北京老人頭家居皮革護理服務有限公司)	PRC	Inactive	Supervisor	24 October 2008	Withdrawal of business license
Jiangsu Snow Leopard Advertising and Packaging Company Limited First Branch* (江蘇雪豹廣告裝潢有限公司第一分公司)	PRC	Inactive	Responsible person	25 June 2009	Dissolved by members' resolutions
Shanghai Snow Leopard Dry Cleaning Product Service Company Limited* (上海雪豹乾洗用品服務有限公司)	PRC	Inactive	Legal representative	23 July 2007	Dissolved by members' resolutions

Mr. Tong confirmed that the reason for dissolution of the above companies was that they had either never commenced business or operation or ceased to carry on business or operation prior to their respective dissolution. Mr. Tong confirmed that there was no wrongful act on his part leading to the dissolutions and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services for these companies and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

During the three years immediately preceding the Latest Practicable Date, Mr. Tong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Du Yongwei（杜永衛）, also known as Ms. Du Yongwei（杜咏衛）, aged 45, was appointed as a director of our Company on 29 July 2015, and was redesignated as our executive Director on 17 June 2016. She is primarily responsible for the overall financial and operation of our Group. Ms. Du is the cousin of Ms. Li, an executive Director and the chairman of our Company.

Ms. Du was accredited as an assistant engineer by Jiangyin Engineering Technology Senior Title Evaluating Committee*（江陰市鄉鎮工程技術高級職務評審委員會）in June 2001. In December 2011, Ms. Du was also accredited as a brand manager by China General Chamber of Commerce（中國商業聯合會）.

From October 1992 to March 1994, She worked as an accountant at the School-run Factory, the predecessor of Jiangsu Snow Leopard. Ms. Du was the deputy administrative officer of the School-run Factory from April 1994 to March 2002. She was the administrative officer of Jiangsu Snow Leopard between April 2002 and March 2012, and was also a director of Jiangsu Snow Leopard from November 2010 to March 2012. Ms. Du has been the deputy general manager of Jiangsu Snow Leopard since April 2012.

Ms. Du was previously a director or operator or legal representative or supervisor of the companies shown in the table below at the time of their respective dissolution:

Company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Date of dissolution	Means of dissolution
France Laorentou Holding Group Limited（法國老人頭控股集團有限公司）	Hong Kong	Inactive	Director	4 March 2011	Striking off
Jiangyin Laorentou Daily Commodity Trading Company*（江陰市老人頭日用百貨商行）	PRC	Inactive	Operator	26 July 2006	Dissolved by members' resolutions
Nanjing Zhongjian Security Company Limited*（南京中劍防偽科技有限公司）	PRC	Inactive	Legal representative	27 February 2014	Withdrawal of business license
Shanghai Snow Leopard Industry and Trade Company Limited*（上海雪豹科工貿有限公司）	PRC	Inactive	Director	9 October 2010	Dissolved by members' resolutions
Beijing Laorentou Household Leather Maintenance Services Company Limited*（北京老人頭家居皮革護理服務有限公司）	PRC	Inactive	Supervisor	24 October 2008	Withdrawal of business license

Ms. Du confirmed that the reason for dissolution of the above companies was that they had either never commenced business or operation or ceased to carry on business or operation prior to their respective dissolution. Ms. Du also confirmed that there was no wrongful act on her part leading to the dissolutions and she is not aware of any actual or potential claim has been or will be made against her as a result of the dissolutions, and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Ms. Du is also a supervisor of Shanghai Jielan Daily Chemical Company Limited*（上海潔瀾日化有限公司）. During the three years immediately preceding the Latest Practicable Date, Ms. Du has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. Ye Jingzhong（葉敬仲）, aged 65, was appointed as an independent non-executive Director on 17 June 2016, the chairman of the remuneration committee of the Board and a member of each of the Audit Committee and the nomination committee of the Board on 17 June 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Ye graduated from Fudan University majoring in microbiology in January 1977 and has more than 34 years of experience in educational administrative role. From February 1978 to August 1982, Mr. Ye was a student mentor at the School of Life Sciences (the "**School**") of Fudan University. From August 1982 to May 1995, he was the administrative officer of the School. Mr. Ye became the associate dean of the School in May 1995 and served until April 1998. Thereafter, he served as the executive associate dean of the School from April 1998 to June 2003. Mr. Ye also undertook the position of secretary of the Communist Party Committee of the School from July 2002 to May 2012, and higher education management researcher from May 2008 to May 2012.

Mr. Ye was previously a director and/or legal representative and/or general manager of the companies shown in the table below at the time of their respective dissolution:

Company	Place of establishment	Principal business activity immediately before dissolution	Position	Date of dissolution	Means of dissolution
Shanghai Fudan Biological Environment Technology Company Limited*（上海复旦生物環境技術有限公司）	PRC	Inactive	Director, legal representative, and general manager	29 June 2009	Dissolved by members' resolutions
Shanghai Baifu Biological Applied Technology Company Limited*（上海百複生物應用技術有限公司）	PRC	Inactive	Director	19 July 2007	Dissolved by members' resolutions

Mr. Ye confirmed that the reason for dissolution of the above companies was that they had ceased to carry on business or operation prior to their respective dissolution. Mr. Ye also confirmed that there was no wrongful act on his part leading to the dissolutions and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Mr. Ye is also a supervisor of Shanghai Bodao Genetic Technology Company Limited* (上海博道基因技術有限公司). During the three years immediately preceding the Latest Practicable Date, Mr. Ye has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Qian Zaiyang (**錢在揚**), aged 59, was appointed as our independent non-executive Director on 17 June 2016 and a member of each of the Audit Committee, the nomination committee of the Board and the remuneration committee of the Board on 17 June 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Qian graduated from the major of Physics in Yancheng Teachers University in the PRC in 1981. He was accredited as a journalist by Wuxi News Professional Skills Intermediate Position Appointment Qualification Review Committee* (無錫市新聞專業技術中級職務任職資格評審委員會) in September 1997.

Mr. Qian undertook various positions at Huadong Information Daily Newspaper* (華東信息日報) (currently known as Wuxi Commercial Newspaper* (無錫商報)) from August 1997 to February 2007, including reporter, supervisor of the publication department and deputy supervisor of the economic and life department. He took a career break between February 2007 and June 2011.

Mr. Qian was the responsible person of the Wuxi branch of China Sida International Economic Technology Co-operation Company Limited* (中國四達國際經濟技術合作有限公司無錫分公司) from June 2011 until its dissolution in September 2013. Mr. Qian was also employed as the vice general manager of Jiangsu Jinmao Investment Management Company Limited* (江蘇金茂投資管理有限公司) (currently known as Jiangsu Jinmao Investment Management Shares Company Limited* (江蘇金茂投資管理股份有限公司)) from January 2012 to May 2013 and was principally responsible for project development, investigation and investment management of the company in Wuxi. Mr. Qian also undertook the position of visiting researcher at the Finance Research Institute of Jiangnan University from July 2010 to July 2013.

During the three years immediately preceding the Latest Practicable Date, Mr. Qian has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Tang Wai Yau (**鄧維祐**), aged 41, was appointed as our independent non-executive Director on 17 June 2016 and the chairman of the Audit Committee on 17 June 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Tang graduated from the Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in November 1997. He is also a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountant. Mr. Tang has over 18 years of experience in the accounting profession.

From September 1997 to January 2009, Mr. Tang was employed by Deloitte and his position was senior manager at the time of his departure. During the period between 2009 and 2012, he worked at Shinewing CPA Limited as an audit principal. Mr. Tang was also an audit principal at KLC Kennic Lui & Co. CPA Limited from February 2009 to October 2009, and has been a director since July 2014. Mr. Tang started his own consulting business advising clients on finance and accounting related matters in 2013 and he has subsequently carried on the business through LF Consulting Company Limited as a director since February 2014.

Mr. Tang is currently a director of KLC Kennic Lui & Co. CPA Limited and LF Consulting Company Limited. During the three years immediately preceding the Latest Practicable Date, Mr. Tang has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Tang was previously a director of LF CPA Company Limited, a company incorporated in Hong Kong, at the time of its dissolution by deregistration on 30 October 2015. LF CPA Company Limited was inactive immediately before its dissolution. Mr. Tang confirmed that the reason for dissolution of LF CPA Company Limited was that it had never commenced business or operation prior to its dissolution. Mr. Tang confirmed that there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution, and that his involvement in LF CPA Company Limited was part and parcel of his service for the company and that no misconduct or misfeasance had been involved in the dissolution of the company.

SENIOR MANAGEMENT

Name	Age	Year of joining our Group	Present position	Date of appointment to position	Roles and responsibilities
Mr. Lau Shun Pong Johnson (劉信邦)	42	2015	Chief financial officer and company secretary	July 2015 and June 2016	Overall financial management of our Group
Mr. Xiang Dongliang (項東亮)	34	2012	Head of planning department	January 2012	Overall strategic planning and internal training of our Group
Mr. Xu Zhiliang (徐志良)	53	2003	Head of research and development department	June 2003	Technology research and development

Mr. Lau Shun Pong Johnson（劉信邦), aged 42, has been the chief financial officer of our Group since July 2015 and was appointed as the company secretary of the Company on 17 June 2016. Mr. Lau is responsible for the overall financial management and company secretarial work of our Group. Mr. Lau obtained a bachelor's degree in Commerce in April 1996 from Monash University, Australia. He is a Certified Public Accountant of the Hong

Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants. Mr. Lau has over 18 years of experience in the accounting profession. Prior to joining our Group, Mr. Lau was employed by Deloitte Touche Tohmatsu CPA Ltd. in Hong Kong and Beijing from 1997 to 2004 and his position was audit manager at the time of his departure.

During the period between 2004 and 2013, Mr. Lau worked in various public companies listed in the United States and England as director of finance and chief financial officer. Mr. Lau was the chief financial officer and was subsequently an executive director of Haike Chemical Group Limited, a company listed on the London Stock Exchange (LSE code: HAIK), from December 2006 to March 2009. Mr. Lau subsequently resigned as chief financial officer and was redesignated as a non-executive director of Haike Chemical Group Limited in March 2009. He retired as a non-executive director in January 2010.

From April 2009, Mr. Lau was employed by AutoChina International Limited, a company listed on the NASDAQ Capital Market and subsequently quoted on the OTC Bulletin Board (NASDAQ/OTC code: AUTCF) as chief financial officer. He was redesignated as the director of finance in July 2009 and subsequently departed in June 2013.

From June 2010 to January 2013, Mr. Lau was an independent director of Lizhan Environmental Corporation (NASDAQ code: LZEN). Mr. Lau was the chief financial officer of SGOCO Group, Ltd., a company listed on the NASDAQ Capital Market (NASDAQ code: SGOC), from July 2013 to June 2015. Mr. Lau is currently an independent director of SkyPeople Juice, Inc. (NASDAQ code: SPU).

Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Lau has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Xiang Dongliang（項東亮）, aged 34, has been the head of the planning department of our Group since January 2012 and is responsible for the strategic planning and internal training of our Group.

Mr. Xiang obtained a bachelor's degree in Engineering (Chemical Engineering) and completed a second major in International Economics and Trade from Jiangnan University（江南大學）in the PRC in June 2005. He also obtained a Master's degree in Engineering (Food Science and Engineering, Food Trade and Culture) from Jiangnan University（江南大學）in the PRC in June 2008.

Prior to joining our Group, Mr. Xiang worked at Ningguo Lake Forest Science and Technology Park Company Limited*（寧國森林湖科技園有限責任公司）from June 2008 to June 2010. At the time of his departure, he was the deputy general manager and assistant to the chairman.

During the three years immediately preceding the Latest Practicable Date, Mr. Xiang has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Xu Zhiliang（徐志良）, aged 53, has been the head of research and development department of our Group since June 2003 and is responsible for technology research and development of our Group.

Mr. Xu was accredited as an engineer by the People's Government of Chongming County*（崇明縣人民政府）in September 1995. He graduated from the Shanghai Jiao Tong University（上海交通大學)in the PRC majoring in Standardisation in April 1993. He has been a committee member of China Oral Care Industry Association since May 2014.

Prior to joining our Group, Mr. Xu worked at Shanghai Shengli Rihua Factory*（上海市勝利日化廠）as a technician from 1980 to 1982. He worked as the head of technical division at Shanghai Shengli Rihua jointly-operated Factory*（上海市勝利日化聯營廠）during the period between 1983 and 1993, and was a factory manager from 1994 to 1997. He worked as a deputy general manager of Shanghai Victoria Bio-Chemical Products Factory*（上海維多俐生物化學品廠）from 1998 to 2003.

During the three years immediately preceding the Latest Practicable Date, Mr. Xu has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Lau Shun Pong Johnson is the company secretary of our Company. Details of his qualifications and experience are set out in the section headed "Directors, Senior Management and Staff – Senior Management" in this Prospectus.

COMPENSATION OF THE DIRECTORS, SENIOR MANAGEMENT AND STAFF

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for each of the years ended 31 December 2014 and 2015 was approximately RMB567,000 and RMB767,000, respectively.

Under the arrangements currently in force, the aggregate emoluments payable by our Group to our Directors for the year ending 31 December 2016 will be approximately RMB631,000.

We determine our staff's remuneration based on factors such as qualifications and work experience. Our staff costs (including our Directors' and senior management's emoluments) for each of the years ended 31 December 2014 and 2015 was approximately RMB16.7 million and RMB22.3 million, respectively.

The emoluments paid to our Group's 5 highest paid individuals in aggregate for each of the years ended 31 December 2014 and 2015 were approximately RMB0.8 million and RMB2.0 million, respectively.

During the Track Record Period, no emoluments were paid by our Group to any of our Directors or the 5 highest paid individuals (including directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 14 to the Accountants' Report set out in Appendix I to this Prospectus.

RELATIONSHIP WITH STAFF

We recognise the importance of having a good working relationship with our employees. The remuneration payable to our employees includes salaries and allowances.

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor any difficulties in the recruitment and retention of experienced staff. Our Directors believe that our Group has a good working relationship with our employees as a whole.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. We will comply with the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. For further details of the corporate governance measures in relation to competing interest and conflict of interest of Directors adopted by our Group, please refer to paragraphs headed "Relationship with Controlling Shareholders – Non-competition Undertakings" and "Relationship with Controlling Shareholders – Corporate governance measures" in this Prospectus.

BOARD COMMITTEES

Audit committee

We have established an audit committee pursuant to a resolution of our Directors passed on 17 June 2016 with written terms of reference in compliance with the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Wai Yau (as Chairman), Mr. Ye Jingzhong and Mr. Qian Zaiyang. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the financial reporting system, internal control procedures and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration committee

We have established a remuneration committee pursuant to a resolution of our Directors passed on 17 June 2016 with written terms of reference in compliance with the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee consists of two independent non-executive Directors, namely Mr. Ye Jingzhong (as Chairman) and Mr. Qian Zaiyang, and one executive Director, Ms. Li. The primary duties of the remuneration committee are, inter alia, to make recommendations to the Board on the policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management and to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with relevant contractual terms and are otherwise reasonable and appropriate.

Nomination committee

We have established a nomination committee pursuant to a resolution of our Directors passed on 17 June 2016 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The nomination committee consists of one executive Director, Ms. Li (as Chairman) and two independent non-executive Directors, namely Mr. Ye Jingzhong and Mr. Qian Zaiyang. The primary functions of the nomination committee are, inter alia, to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy, to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

COMPLIANCE ADVISER

Our Company has appointed First Shanghai Capital Limited as the compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules.

Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise on the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this Prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this Prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which our Company distributes the annual report of its financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

COMPLIANCE OFFICER

Ms. Li Qiuyan（李秋雁）, aged 55, is the chairman of our Company, our executive director, the chairman of the nomination committee of the Board, a member of the remuneration committee of the Board and a Controlling Shareholder. Her biography is set forth under the section headed "Directors, Senior Management and Staff – Executive Directors" in this Prospectus. Ms. Li was appointed as the compliance officer of the Company on 17 June 2016.

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders of our Company passed on 17 June 2016. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Please refer to the section headed "Appendix V – Statutory and General Information – D. Share Option Scheme" in this Prospectus for further information.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Placing, Ms. Li and ChongBo Mary will control more than 30% of the issued share capital of our Company. For the purpose of the GEM Listing Rules, Ms. Li and ChongBo Mary are our Controlling Shareholders. Please refer to the section headed "Directors, Senior Management and Staff" in this Prospectus for further information of Ms. Li. ChongBo Mary is an investment holding company wholly-owned by Ms. Li and, other than holding the Shares, has not commenced any substantive business activities as at the Latest Practicable Date. Each of Ms. Li and ChongBo Mary confirms that she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective close associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. During the Track Record Period, our Group has certain amounts due to Ms. Li and her associates. Please refer to the section headed "Financial Information – Amounts due to a shareholder/related parties" in this Prospectus and Note 22 (Amounts due to a shareholder and related parties) of the Accountants' Report set out in Appendix I to this Prospectus for further details. All amounts due to Ms. Li and her associates have been fully settled before Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

(ii) Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas at responsibilities. Save for the transaction in respect of our lease of premises as warehouse from Ms. Li, our Controlling Shareholder, further details of which are set out in the section headed "Connected Transactions" in this Prospectus, we have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates. Our Directors are of the view that, given the aforementioned lease of warehouse from Ms. Li can be replaced with the lease of warehouse from third party without material impact on our financial and operating performance, there is no operational dependence on our Controlling Shareholders.

(iii) Independence of management

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Ms. Li, an executive Director and our Controlling Shareholder, is the step-mother of Mr. Tong and cousin of Ms. Du Yongwei, each an executive Director. Ms. Li is also the sole director of ChongBo Mary, a Controlling Shareholder. No other Directors nor members of senior management of our Group hold any directorship or position in ChongBo Mary.

Each of our Directors is aware of his/her fiduciary duties as a director which require, amongst others, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of the Group are independent from the Controlling Shareholders. The Directors are of the view that the Board and senior management are capable of managing the Group's business independently from the Controlling Shareholders.

(iv) Independence of major suppliers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(v) Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and the Controlling Shareholders, each of Ms. Li and ChongBo Mary (each a "**Covenantor**" and collectively the "**Covenantors**") has executed a Deed of Non-competition with our Company (for ourselves and for the benefit of each other member of our Group) on 17 June 2016. Pursuant to the Deeds of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for ourselves and as trustee for our subsidiaries) that, during the period that the Deeds of Non-competition remain effective, she/it shall not, and shall procure that her/its close associates (other than any member of our Group) not to, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if she/it or her/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, she/it shall (and she/it shall procure her/its close associates to) notify our Company in writing and our Company shall have a right of first refusal to take up such business opportunity. Our Company shall, within 6 months after receipt of the written notice (or such longer period if our Company is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantors whether our Company will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantors and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest (including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal).

The Deeds of Non-competition are conditional upon the fulfilment of the following conditions:

(i) the Listing Division granting the approval for the listing of, and permission to deal in, our Shares; and

(ii) the fulfilment of the conditions precedent under the Underwriting Agreement (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreement not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreement thereafter, the Deeds of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deeds of Non-competition.

The Deeds of Non-competition shall terminate when (i) a Covenantor whether individually or taken together with her/its close associates, whether ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the issued share capital of the Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of our Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that she/it fully comprehends her/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

(a) the Covenantors will make an annual confirmation as to compliance with her/its undertaking under the Deeds of Non-competition for inclusion in the annual report of our Company;

(b) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors, Senior Management and Staff" in this Prospectus;

(c) our Company has appointed First Shanghai Capital Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors, Senior Management and Staff – Compliance Adviser" in this Prospectus for further details in relation to the appointment of compliance adviser;

(d) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deeds of Non-competition; and

(e) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deeds of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deeds of Non-competition.

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in Note 30 (a) to (g) to the Accountants' Report set out in Appendix I to this Prospectus. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described in this section below, these related party transactions have discontinued before the Listing.

The following continuing connected transactions have been entered into by our Group and the relevant connected person(s) of our Company (as defined in the GEM Listing Rules) and will continue after Listing:

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following transactions, which constitute continuing connected transactions exempt from all reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, are expected to continue after Listing.

Trademark Licensing Agreements

Lao Ren Tou (International) Limited is a company wholly-owned by Mr. Zhu Hongjun. As Mr. Zhu Hongjun is the spouse of Ms. Du Yongwei, an executive Director, Lao Ren Tou (International) Limited is therefore a connected person of our Company under Rule 20.07(4) of the GEM Listing Rules.

Lao Ren Tou (International) Limited is the registered owner of 5 trademarks, namely "LARENTO (registration number 5638070)", " (registration number 924523)", " (registration number 724590)" and "CPL (registration number 9737873)" and CPL (registration number 1335841)", all registered in the PRC (the "**Trademark(s)**"). In anticipation of the Listing, Lao Ren Tou (International) Limited has filed applications at our request to transfer the Trademarks to Larento International (Development) at nil consideration. After consulting our PRC Legal Advisers, our Directors confirm that there is no legal obstacle for the transfer of the Trademarks to our Group.

On 12 August 2015, Lao Ren Tou (International) Limited, as licensor, has entered into 5 trademark licensing agreements with Larento International (Development), as licensee (the "**Trademark Licensing Agreements**"), pursuant to which Lao Ren Tou (International) Limited agreed to grant to Larento International (Development) a sole and exclusive right to use, sub-license and permit any members of our Group to use the Trademarks at nil consideration for a term (i) of three years from the date of the Trademark Licensing Agreements or (ii) from the date of the Trademark Licensing Agreements to the date of completion of the transfer of the relevant Trademark to Larento International (Development) (whichever is earlier).

The Trademark Licensing Agreements are perpetually renewable, each time for three years, at the option of our Group. Should there be any renewal of the term of the Trademark Licensing Agreements, our Company will comply with the relevant requirements of the GEM Listing Rules accordingly.

Our Directors (including our independent non-executive Directors) consider that the Trademark Licensing Agreements are on normal commercial terms and the transactions thereunder are fair and reasonable and in the interests of our Shareholders as a whole.

As the licensing of the Trademarks involve nil consideration, the transactions under the Trademark Licensing Agreements will be exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Lease Agreement

On 18 January 2016, Shanghai Snow Leopard, as tenant, entered into a lease agreement (the "**Lease Agreement**") with Ms. Li, as landlord, for a term commencing from 1 January 2016 to 31 December 2016 in respect of a premises located at No. 8, Lane 138, Zhong Ning Road, Putuo District, Shanghai, the PRC (the "**Premises**") for use by our Group at nil monthly rental. The Premises is used by the Group as warehouse.

Since Ms. Li is a Controlling Shareholder and an executive Director, Ms. Li is a connected person of our Company under the GEM Listing Rules. Accordingly, the transaction under the Lease Agreement constitutes continuing connected transaction of our Company under the GEM Listing Rules following the Listing.

The aggregate amounts of rent paid by our Group to Ms. Li for the lease of the Premises for each of the years ended 31 December 2013, 2014 and 2015 were approximately RMB240,000, RMB360,000 and RMB360,000, respectively.

Our Directors (including our independent non-executive Directors) are of the view that the Lease Agreement has been entered into on normal commercial terms, on arm's length basis, in the ordinary and usual course of business of our Group and that the terms of the Lease Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

As the Lease Agreement involves nil consideration, the Lease Agreement will be exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Advertising Agreement

On 30 December 2014, Jiangsu Snow Leopard Advertising and Packaging Company Limited*（江蘇雪豹廣告裝潢有限公司）("**Jiangsu Snow Leopard Advertising**") entered into an advertising and production agreement (the "**Advertising Agreement**") with Jiangsu Snow Leopard for a term commencing from 1 January 2015 to 31 December 2017 for provision of design and production of advertisement related services at an annual consideration of RMB700,000.

As Jiangsu Snow Leopard Advertising is owed as to approximately 89.1% by Ms. Zhang Li and as to approximately 10.9% by Ms. Zhang Jianying, the spouse and the mother of Mr. Tong (a Substantial Shareholder and an executive Director), respectively, Jiangsu Snow Leopard Advertising is a connected person of our Company under the GEM Listing Rules. Accordingly, the transaction under the Advertising Agreement constitutes continuing connected transaction of our Company under the GEM Listing Rules following the Listing.

The aggregate amounts of advertising expenses paid by our Group to Jiangsu Snow Leopard Advertising for each of the years ended 31 December 2013, 2014 and 2015 were approximately RMB240,000 RMB613,000 and RMB614,000, respectively.

Our Directors (including our independent non-executive Directors) are of the view that the Advertising Agreement has been entered into on normal commercial terms, on arm's length basis, in the ordinary and usual course of business of our Group and that the terms of the Advertising Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

Since each of the applicable percentage ratios (other than the profits ratio) on an annual basis is less than 5% and the annual consideration payable under the Advertising Agreement is less than HK$3,000,000, the Advertising Agreement is fully exempt from all reporting, annual review, announcement and independent shareholders' approval (including independent financial advice) requirements under Chapter 20 of the GEM Listing Rules.

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Long position in our Shares

Name	Capacity/Nature of interest	Number of Shares held/interested in immediately following completion of the Capitalisation Issue and the Placing	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Placing
ChongBo Mary	Beneficial owner	637,500,000	63.75%
Ms. Li	Interest of a controlled corporation *(Note 1)*	637,500,000	63.75%
Mr. Tong Yu	Interest of spouse *(Note 2)*	637,500,000	63.75%
Tong Xing Holding	Beneficial owner	112,500,000	11.25%
Mr. Tong	Interest of a controlled corporation *(Note 3)*	112,500,000	11.25%
Ms. Zhang Li	Interest of spouse *(Note 4)*	112,500,000	11.25%

Notes:

1. Ms. Li beneficially owns the entire issued share capital of ChongBo Mary. Therefore, Ms. Li is deemed, or taken to be, interested in the Shares held by ChongBo Mary for the purposes of the SFO. Ms. Li is a director of ChongBo Mary.

2. Mr. Tong Yu is the spouse of Ms. Li. Accordingly, Mr. Tong Yu is deemed, or taken to be, interested in the Shares held by Ms. Li for the purpose of the SFO.

3. Mr. Tong beneficially owns the entire issued share capital of Tong Xing Holding. Therefore, Mr. Tong is deemed, or taken to be, interested in the Shares held by Tong Xing Holding for the purposes of the SFO. Mr. Tong is a director of Tong Xing Holding. Mr. Tong is the son of Mr. Tong Yu and the step-son of Ms. Li.

4. Ms. Zhang Li is the spouse of Mr. Tong. According, Ms. Zhang Li is deemed, or taken to be, interest in the Shares held by Mr. Tong for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group.

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Capitalisation Issue and the Placing will be as follows:

		HK$
Authorised share capital		
2,000,000,000	Shares	20,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Placing:		
20,000	Shares in issue at the date of this Prospectus	200
749,980,000	Shares to be issued pursuant to the Capitalisation Issue	7,499,800
250,000,000	Shares to be issued pursuant to the Placing	2,500,000
1,000,000,000	Shares	10,000,000

MINIMUM PUBLIC FLOAT

According to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of our Company's issued share capital in the hands of the public.

RANKING

The Placing Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as mentioned in this Prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 17 June 2016, subject to the share premium account of our Company being credited as a result of the Placing, our Directors are authorised to allot and issue a total of 749,980,000 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 16 June 2016 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$7,499,800 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

(a) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Placing (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and

(b) the total number of Shares repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares referred to in the section headed "General Mandate to Repurchase Shares" below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed "Appendix V – Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our Shareholders passed on 17 June 2016" to this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with such number of Shares not more than 10% of the total number of Shares in issue following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on GEM, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed "Appendix V – Statutory and General Information – A. Further information about our Company – 6. Repurchase of Shares by our Company" to this Prospectus.

The general mandates to issue and repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting,

For further details of this general mandate, please refer to the section headed "Appendix V – Statutory and General Information – A. Further information about our Company – 6. Repurchase of Shares by our Company" to this Prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed "Appendix V – Statutory and General Information – D. Share Option Scheme" to this Prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Companies Law" set out in Appendix IV to this Prospectus.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed "Business – Business Strategies" in this Prospectus for our business objectives and strategies.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Directors believe that the listing of the Shares on GEM will enhance our Group's profile and the net proceeds from the Placing will strengthen our financial position and will enable us to implement our business plans set out in the section headed "Business – Business Strategies" in this Prospectus. Furthermore, a public listing status on the Stock Exchange will offer us access to capital markets for corporate finance exercise to assist in our future business development, enhance our corporate profile and strengthen our competitiveness.

The net proceeds from the Placing, after deducting underwriting fees and commission and other estimated expenses in connection with the Placing, are estimated to amount to approximately HK$88.1 million (assuming a Placing Price of HK$0.48 per Share, being the mid-point of the indicative Placing Price). We presently intend to apply such net proceeds of the Placing as follows:

- approximately HK$33.5 million (or approximately 38%) of the net proceeds in expanding our production and warehousing capacity;
- approximately HK$21.2 million (or approximately 24%) of the net proceeds in advertisement and promotional activities;
- approximately HK$18.5 million (or approximately 21%) of the net proceeds in expanding our distribution network;
- approximately HK$7.0 million (or approximately 8%) of the net proceeds in enhancing our research and development capabilities;
- the remaining amount of approximately HK$7.9 million (or approximately 9%) of the net proceeds will be used as our working capital and other general corporate purposes.

In the event that the Placing Price is set at the high-end or the low-end of the proposed Placing Price range, the net proceeds from the Placing will increase or decrease by approximately HK$28.7 million to, high-end of approximately HK$116.8 million and low-end of approximately HK$59.4 million, after deducting related expenses, respectively. We intend to use the net proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the high-end or low-end of the proposed Placing Price.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of our Directors that these proceeds will be placed on short-term interest-bearing deposits with licensed banks and/or financial institutions.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, set forth below are our implementation plans for each of the six-month periods upon Listing until 30 June 2018. It should be noted that our implementation plans are formulated on the bases and assumptions referred to in the paragraphs under the sub-section headed "Bases and Assumptions" below. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" in this Prospectus.

Set forth below are the implementation plans to carry out our business strategies upon Listing to 30 June 2018 (assuming the estimated net proceeds from the Placing to be approximately HK$88.1 million based on the mid-point of the indicative Placing Price of HK$0.48 per Share).

For the six months ending 31 December 2016

Business strategies	Implementation activities	Use of proceed
To expand our production and warehousing capacity	– Expand the annual production capability of our oral care products from 3,720 tons to 9,000 tons[Note]	HK$4.9 million
	– Construct a new inventory warehouse	HK$7.1 million
	– Settle outstanding payment for the construction in progress	HK$9.6 million
To strengthen our products research and development capabilities	– Purchase various laboratory and testing equipment	HK$3.5 million
	– Employ additional research and development personnel	
To strengthen the leading position of our brands by advertisement and promotion	– Place television commercials and advertise in newspapers and on the internet	HK$5.3 million
To expand our sales network	– Employ additional sales and marketing personnel	HK$4.7 million

Note:

(1) It is estimated that the total capital expenditure for the proposed increase in the production capacity of our oral care products will amount to approximately RMB15.0 million. We will finance the shortfall by our internal resources and/or bank borrowing.

Business strategies	Implementation activities	Use of proceed
General working capital		HK$2.0 million

For the six months ending 30 June 2017

Business strategies	Implementation activities	Use of proceed
To expand our production and warehousing capacity	– Expand the annual production capability of our oral care products from 3,720 tons to 9,000 tons*Note*	HK$4.8 million
	– Construct a new inventory warehouse	HK$7.1 million
To strengthen our product research and development capabilities	– Purchase various laboratory and testing equipment	HK$3.5 million
	– Employ additional research and development personnel	
To strengthen the leading position of our brands by advertisement and promotion	– Place television commercials and advertise in newspapers and in the internet	HK$5.3 million
To expand our sales network	– Employ additional sales and marketing personnel	HK$4.6 million
General working capital		HK$2.0 million

Note:

(1) It is estimated that the total capital expenditure for the proposed increase in the production capacity of our oral care products will amount to approximately RMB15.0 million. We will finance the shortfall by our internal resources and/or bank borrowing.

For the six months ending 31 December 2017

Business strategies	Implementation activities	Use of proceed
To strengthen the leading position of our brands by advertisement and promotion	– Place television commercials and advertise in newspapers and in the internet	HK$5.3 million
To expand our sales network	– Employ additional sales and marketing personnel	HK$4.6 million
General working capital		HK$2.0 million

For the six months ending 30 June 2018

Business strategies	Implementation activities	Use of proceed
To strengthen the leading position of our brands by advertisement and promotion	– Place television commercials and advertise in newspapers and in the internet	HK$5.3 million
Expand our sales network	– Employ additional sales and marketing personnel	HK$4.6 million
General working capital		HK$1.9 million

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan upon Listing up to 30 June 2018:

(a) there will be no material change in the existing political, legal, fiscal or economic conditions in the PRC, and any other places in which any member of our Group carries on or will carry on business;

(b) there will be no material change in the bases or rates of taxation in the PRC or in any other places in which any member of our Group operates or will operate or is incorporated;

(c) the Placing will be completed in accordance with and as described in the section headed "Structure and Conditions of the Placing" to this Prospectus;

(d) we are able to maintain our customers;

(e) we are able to retain key staff in the management and the main operational departments;

(f) we will not be materially affected by any risk factors set out in the section headed "Risk Factors" in this Prospectus; and

(g) we will be able to continue our operation in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our development plans without disruptions adversely affecting our operations or business objectives in any way.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial information as at 31 December 2013, 2014 and 2015 and for each of the years ended 31 December 2013, 2014 and 2015 and the accompanying notes set out in the Accountants' Report set forth in Appendix I to this Prospectus. Our Group's consolidated financial information has been prepared in accordance with HKFRS, which may differ from the generally accepted accounting principles in other jurisdictions in certain material aspects.

The discussions and analysis in this section of the Prospectus contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and interpretation of historical trends, current conditions and expected future developments as well as other factors that we believe are appropriate under the relevant circumstances. However, whether our actual results reported in future periods differ materially from those discussed below depends on various factors which we do not have any control over. Factors that could cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Prospectus, particularly in the sections headed "Forward-looking Statements" and "Risk Factors".

OVERVIEW

We primarily manufacture and market oral care products, leather care products and household hygiene products under our own/licensed brands and distribute them through a well-established distribution network across China. Please refer to the section headed "Business – Overview" in this Prospectus for further details of our business.

We have enjoyed growth in turnover and profitability over the Track Record Period. Our total turnover increased by approximately RMB23.8 million or approximately 12.0% from approximately RMB198.5 million for the year ended 31 December 2013 to approximately RMB222.3 million for the year ended 31 December 2014, and further increased by approximately RMB60.8 million or approximately 27.4% to approximately RMB283.1 million for the year ended 31 December 2015, whereas our profit increased by approximately RMB6.1 million or approximately 55.5% from approximately RMB11.0 million for the year ended 31 December 2013 to approximately RMB17.1 million for the year ended 31 December 2014, and further increased by approximately RMB11.1 million or approximately 64.9% to approximately RMB28.2 million for the year ended 31 December 2015. Please refer to the section headed "Financial Information – Year-to-year Comparison of Results of Operations" in this Prospectus for details.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 July 2005 and became the holding company of the subsidiaries now comprising our Group on 25 August 2015 pursuant to the Reorganisation, details of which are set out in the section headed "Appendix V – Statutory and General Information – A. Further Information about our Company – 4. Corporate reorganisation" in this Prospectus. The Group has been under the control of Ms. Li throughout the years ended 31 December 2013, 2014 and 2015 or since their respective dates of incorporation or establishment and up

to 31 December 2015. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial information of the Group has been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group throughout the Track Record Period, using the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA as set out in Note 3 of the Accountants' Report in Appendix I to this Prospectus.

Our consolidated financial information has been prepared in accordance with HKFRS. All intra-group transactions and balances have been eliminated on combination.

FACTORS AFFECTING FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF OUR GROUP

Our financial condition and results of operations have been, and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this Prospectus.

Consumer preferences and consumption patterns

Our results of operations are largely affected by consumer preferences and their continuing demand for our products in the markets.

China has achieved a nominal GDP of RMB67.7 trillion in 2015, representing a 6.9% annual growth. Chinese residents have spend more on daily goods than ever before as there is a significant improvement on their living standard. We believe we have benefited from China's economic growth and an increasing demand for daily household products in the PRC markets. For each of the years ended 31 December 2013, 2014 and 2015, approximately 99.4%, 99.5% and 99.4% of our total turnover was derived from sales of our products in the PRC. However, consumer preferences and consumption patterns constantly change. Demand for our products may be adversely affected if consumers believe that our products cannot satisfy their demands on lifestyle. In addition, new products from our competitors may cause a change in consumer preferences, leading to a change of consumption patterns towards other products.

We are dedicated to optimising our brand and product mix in order to reach more consumers, maximise our growth potential in existing and new markets, increase our market share and strategically position ourselves to benefit from new trends in the daily household product market.

Marketing and promotional activities

Our results of operations depend to a large extent on how well we market our brands and products and how efficiently we expand our resources in our sales and marketing activities to effectively promote our products. Efficient and effective promotion and marketing increases demand for our products, helping not only our sales volume but also our pricing ability. Over the Track Record Period, we advertised our brands and products through television and print media. We also launched new products through public and

free-trial activities. Through these continuous marketing and promotional activities, we believe we have conveyed the message that our products are of high quality and present an excellent solution to meet today's consumer preference for a healthy lifestyle, which helps drive our sales and profitability. Notwithstanding this, as a result of changing market conditions and consumer preferences, our marketing and promotional activities may not necessarily be effective in the future and may also change as we continually strive to tailor our marketing strategies to market conditions.

Distribution and retail network

Our ability to increase our sales and profit is directly affected by the coverage of our distribution and retail network as well as our ability to continue to attract distributors and retailers to purchase our products. As at the Latest Practicable Date, our products were sold in 22 provinces, 4 municipalities and 4 autonomous regions in the PRC. The number of our distributors and retailers increased over the Track Record Period as we expanded our distribution and retail network. As at the Latest Practicable Date, we had direct relationships with 491 distributors and 5 retailers in the PRC.

Our sales and profit growth will depend on our ability to cooperate with our existing distributors and retailers, and expand through finding suitable distributors and retailers and their respective ability to further promote and sell our products. In the process of our market expansion, our strategy has been to focus on sales to distributors that have wide coverage in the developing regions in the PRC. We also select different distributors for different districts to take advantage of their knowledge of the local distribution network. We anticipate that the number of distributors and retailers will continue to grow with our domestic and overseas expansion, launch of new products, and increasing brand recognition.

Product mix

We manufacture and sell a broad range of daily household products under various brands. Our finished products are categorised into:

- Oral care products: including functional toothpaste, mouthwash, oral spray and toothbrush.

- Leather care products: including shoe care products and leather clothing care products.

- Household hygiene products: including surface cleaners, laundry care products, toilet care products and mould proof products.

Our product mix and gross profit margin analysis for each of the years ended 31 December 2013, 2014 and 2015 are set out in the paragraphs headed "Turnover" and "Gross profit and gross profit margin" respectively in the sub-section headed "Financial Information – Principal components of consolidated statements of profit or loss" in this Prospectus.

As we adjust our product or brand mix, our overall sales and gross profit margin may be affected. We will continue to monitor and adjust our product and brand mix in order to increase our Group's turnover and profitability.

Cost of raw materials and packaging materials

Cost of raw materials and packaging materials are major components of our cost of sales. If we are unable to pass on any surge in raw materials and packaging materials costs to our customers by increasing the sales prices of our products, this may adversely affect our gross profit margin.

Our Company has developed long term strategic relationships with our suppliers for the supply of our raw materials and packaging materials. As a matter of practice, our suppliers will inform us of any potential risk or trend on increase in costs of raw materials and packaging materials in order for us to control our costs more effectively. As a result of this practice, historically, the increase in costs of raw materials and packaging materials has not had any material adverse effect on our Company.

Taxation

Most of our profits are generated by Jiangsu Snow Leopard, our wholly-owned subsidiary in the PRC. Our future profits will be affected by changes in tax rates, particularly the applicable tax rates in the PRC as we carry out the majority of our business and derive most of our turnover and profits from the PRC.

We are subject to income taxes in the PRC. Under the EIT Law and the EIT Implementation Regulations, both domestic enterprises and foreign-invested enterprises are subject to EIT of 25%. The provision for EIT is based on the respective corporate income tax rates applicable to our subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. Jiangsu Snow Leopard is recognised as a "High and New Technology Enterprise (高新技術企業)" and has been granted tax concessions by the local tax bureau and is entitled to EIT at a concessionary rate of 15%. If such recognition is not granted upon the expiry of its validity period in 2017, Jiangsu Snow Leopard will be subject to the normal EIT rate of 25% which may have a material impact on our financial condition and results of operation.

Our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, and no provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the Track Record Period.

Competition

Our results of operations and financial condition are affected by the competitive landscape of the daily household products markets in the PRC, some of which are highly competitive. We compete with both domestic and international players in different geographical areas in the PRC. The competition generally lies in brand recognition, business

scale, sales network, product range and quality, product functions, marketing and price. Some of our competitors, in particular the international brands, may have been in business longer than we have and may have substantially greater financial, product development and other resources than we have. If the completion in the market further intensifies, our sales and profitability may be affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those that require management to exercise judgments and make estimates that yield materially different results if management were to apply different assumptions or make different estimates. The preparation of our financial information in conformity with HKFRSs requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures of contingent assets and liabilities. The selection of critical accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our audited financial information. Our principal accounting policies are set out in Note 3 of the Accountants' Report in Appendix I to this Prospectus. Our Directors confirm that the relevant estimates and underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and we have consistently applied these estimates or underlying assumptions during the Track Record Period. We have identified below the accounting policies which, we believe, are the most critical to our consolidated financial statements and that involve the most significant estimates and judgments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold buildings held for use in the production of goods or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress), less their residual values over their estimated useful lives, using the straight-line method at the following rate per annum:

Buildings	5% or over the lease term, whichever is shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Motor vehicle	20%
Plant and machinery	10%
Office equipment	20%

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of

resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represented the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Our Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, bank borrowings and amounts due to a shareholder and related parties, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

RESULTS OF OPERATIONS

Set out below are our consolidated statements of profit or loss for each of the years ended 31 December 2013, 2014 and 2015 extracted from the Accountants' Report in Appendix I to this Prospectus:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	198,497	222,268	283,101
Cost of sales	(119,381)	(131,772)	(154,350)
Gross profit	79,116	90,496	128,751
Other income	1,157	1,414	1,407
Selling and distribution costs	(33,123)	(39,408)	(58,741)
Administrative expenses	(31,639)	(30,703)	(36,156)
Finance costs	(2,231)	(1,544)	(2,061)
Profit before tax	13,280	20,255	33,200
Income tax expenses	(2,239)	(3,107)	(5,041)
Profit for the year	11,041	17,148	28,159

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Turnover

Turnover represents the sales value of goods sold less returns and discounts. The following table sets out our turnover by product category for the years indicated:

	Year ended 31 December					
	2013		**2014**		**2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Turnover						
Oral care products	69,129	34.8	91,556	41.2	138,915	49.1
Leather care products	62,684	31.6	54,857	24.7	56,953	20.1
Household hygiene products	64,472	32.5	72,546	32.6	85,526	30.2
Others *(Note)*	2,212	1.1	3,309	1.5	1,707	0.6
Total	198,497	100.0	222,268	100.0	283,101	100.0

Note: Others mainly represent industrial hygiene products

Turnover of the Group improved from approximately RMB198.5 million for the year ended 31 December 2013 to approximately RMB222.3 million for the year ended 31 December 2014 and further increased to approximately RMB283.1 million for the year ended 31 December 2015, representing annual growth of approximately 12.0% and 27.4% for each of the years ended 31 December 2014 and 2015, respectively. The growth was mainly attributable to the increase in turnover of oral care products from approximately RMB69.1 million for the year ended 31 December 2013 to approximately RMB91.6 million for the year ended 31 December 2014 and approximately RMB138.9 million for the year ended 31 December 2015, representing year-on-year growth of approximately 32.6% and 51.6%, for each of the years ended 31 December 2014 and 2015, respectively. The increase in the turnover of oral care products was mainly driven by the increase in the turnover of functional toothpaste under our "Fe Golden Classic Dentist (fe金典牙醫)" brand which increased by approximately 42.1% from approximately RMB55.8 million for the year ended 31 December 2013 to approximately RMB79.3 million for the year ended 31 December 2014, and further increased by approximately 52.2% to approximately RMB120.7 million for the year ended 31 December 2015. Such increase was mainly due to increased brand recognition as a result of our continued marketing and promotional efforts and the expansion of our retail network.

Turnover of our household hygiene products also recorded healthy growth from approximately RMB64.5 million for the year ended 31 December 2013 to approximately RMB72.5 million for the year ended 31 December 2014 and further increased to approximately RMB85.5 million for the year ended 31 December 2015, representing a year-on-year growth of approximately 12.4% and 17.9% for each of the years ended 31 December 2014 and 2015, respectively. The growth was mainly due to the increase in the turnover of our key household hygiene product, hand grenade detergent (手榴彈油污淨).

Turnover of our leather care products decreased by approximately 12.4% from approximately RMB62.7 million for the year ended 31 December 2013 to approximately RMB54.9 million for the year ended 31 December 2014, which was mainly due to (i) the change in consumer preferences towards high-end leather care products; and (ii) we did not timely adjust our sales strategies in response to the changes in the market as we had placed our sales focus on our oral care products. The turnover of our leather care products increased by approximately 3.8% from approximately RMB54.9 million for the year ended 31 December 2014 to approximately RMB57.0 million for the year ended 31 December 2015, which was mainly driven by the increase in turnover from our high-end leather care products under our "Larento (老人頭)" brand.

The following table sets out our turnover by geographic location for the years indicated:

	Year ended 31 December					
	2013		2014		2015	
	RMB'000	*% of total turnover*	*RMB'000*	*% of total turnover*	*RMB'000*	*% of total turnover*
PRC	197,270	99.4	221,171	99.5	281,345	99.4
Overseas	1,227	0.6	1,097	0.5	1,756	0.6
Total	198,497	100.0	222,268	100.0	283,101	100.0

As shown in the above table, turnover from the PRC accounted for approximately 99.4%, 99.5% and 99.4% of our total turnover for each of the years ended 31 December 2013, 2014 and 2015, respectively.

During the years ended 31 December 2013, 2014 and 2015, the overseas regions included the United States, Netherlands, Japan and Ghana. Our overseas sales were primarily denominated in US dollars and our Group had not implemented any specific hedging measures.

Cost of sales

Cost of sales primarily consists of raw materials, packaging and other materials, direct labour costs, processing charges and manufacturing overhead. Manufacturing overhead primarily includes utilities charges, depreciation on plant and machinery, and other production costs.

The following table sets out our cost of sales by product category for the years indicated:

	Year ended 31 December					
	2013		2014		2015	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Oral care products	39,606	33.2	50,957	38.7	67,214	43.5
Leather care products	40,647	34.0	37,728	28.6	35,816	23.2
Household hygiene products	38,508	32.3	41,715	31.7	50,476	32.7
Others	620	0.5	1,372	1.0	844	0.6
Total	119,381	100.0	131,772	100.0	154,350	100.0

The following table sets out our cost of sales by cost category for the years indicated:

	Year ended 31 December					
	2013		2014		2015	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Raw materials	46,850	39.2	49,925	37.9	54,858	35.5
Packaging and other materials	59,520	49.9	67,298	51.1	83,227	53.9
Direct labour costs	4,061	3.4	4,562	3.4	5,692	3.7
Processing charges	3,104	2.6	2,881	2.2	3,146	2.1
Manufacturing overhead	5,846	4.9	7,106	5.4	7,427	4.8
Total	119,381	100.0	131,772	100.0	154,350	100.0

Cost of raw materials and packaging and other materials are the major components of our cost of sales. Our principal raw materials comprised of (i) abrasive agent, fe enzyme, essence, emulsifying agent, humectant and sweetening agent for our oral care products; (ii) wax, oil, emulsifying agent, essence, coloring agent and mildew preventive for our leather care products; and (iii) surface active agent, essence, emulsifying agent, chelating agent, preservative and deionised water for our household hygiene products, which represented approximately 39.2%, 37.9% and 35.5% of total cost of sales for each of the years ended 31 December 2013, 2014 and 2015, respectively.

Our principal packaging materials were bottles, hoses, cartons, tubes, toothpaste chime tubes. Our packaging and other materials accounted for approximately 49.9%, 51.1% and 53.9% of total cost of sales for each of the years ended 31 December 2013, 2014 and 2015, respectively.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by product category for the years indicated:

	Year ended 31 December					
	2013		2014		2015	
	RMB'000	*Gross profit %*	*RMB'000*	*Gross profit %*	*RMB'000*	*Gross profit %*
Oral care products	29,523	42.7	40,599	44.3	71,701	51.6
Leather care products	22,037	35.2	17,129	31.2	21,137	37.1
Household hygiene products	25,964	40.3	30,831	42.5	35,050	41.0
Others	1,592	72.0	1,937	58.5	863	50.6
Total	79,116	39.9	90,496	40.7	128,751	45.5

Our gross profit increased from approximately RMB79.1 million for the year ended 31 December 2013 to approximately RMB90.5 million for the year ended 31 December 2014, and further increased to approximately RMB128.8 million for the year ended 31 December 2015. Oral care products enjoyed relatively higher gross profit margin than most of our other products as a result of the positioning of our functional toothpaste in the market. Gross profit margin of our oral care products increased from approximately 42.7% for the year ended 31 December 2013 to approximately 44.3% for the year ended 31 December 2014, and further increased to approximately 51.6% for the year ended 31 December 2015, as we promoted and sold more high-end functional toothpaste with higher margins and increased the selling prices of our toothpaste products in 2015. The increase was also contributed by the fact that as we sold more functional toothpaste under our own brand, which has higher margins than our OEM oral care products, the overall gross profit margin of the oral care products segment will be improved. Gross profit margin of our leather care products dropped from approximately 35.2% for the year ended 31 December 2013 to approximately 31.2% for the year ended 31 December 2014 due to change in product mix and increase in raw material prices, and increased to 37.1% for the year ended 31 December 2015 mainly because we launched and sold more high-end leather care products with higher gross profit margin in 2015. Gross profit margin of our household hygiene products increased from approximately 40.3% for the year ended 31 December 2013 to approximately 42.5% for the year ended 31 December 2014, mainly due to the increase in sales of our key household hygiene product, hand grenade detergent (手榴彈油污淨), which had a relatively higher gross profit margin than our other household hygiene products, and decreased to approximately 41.0% for the year ended 31 December 2015, mainly due to the cost of free gifts attached to our key household hygiene product, hand grenade detergent (手榴彈油污淨), which lowered the gross profit margin.

Other income

Other income primarily consists of rental income derived from lease of properties and equipment and government grants.

The following table sets forth our Group's other income for the years indicated:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Rental income from properties	580	580	679
Rental income from equipment	299	299	299
Bank interest income	44	25	79
Gain on disposal of property, plant and equipment	–	49	–
Government grants	126	340	205
Others	108	121	145
Total	1,157	1,414	1,407

Selling and distribution costs

Selling and distribution costs primarily consist of advertising and promotion expenses, staff costs, delivery costs and travelling expenses. The following table sets out the breakdown of our Group's selling and distribution costs for the years indicated:

	Year ended 31 December					
	2013		2014		2015	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Advertising and promotion expenses	16,518	49.9	16,239	41.2	28,059	47.8
Staff costs	4,536	13.7	4,315	11.0	7,353	12.5
Delivery costs	8,636	26.1	14,206	36.0	16,705	28.5
Travelling expenses	1,977	6.0	2,850	7.2	4,607	7.8
Others	1,456	4.3	1,798	4.6	2,017	3.4
Total	33,123	100.0	39,408	100.0	58,741	100.0

For each of the years ended 31 December 2013, 2014 and 2015, our total selling and distribution costs amounted to approximately RMB33.1 million, RMB39.4 million and RMB58.7 million respectively, which accounted for approximately 16.7%, 17.7% and 20.7% of our turnover, respectively. Please refer to the section headed "Financial Information – Year-to-year Comparison of Results of Operations" in this Prospectus for the discussion of the fluctuation in our selling and distribution costs for each of the years ended 31 December 2013, 2014 and 2015.

Administrative expenses

Administrative expenses primarily consist of research and development expenses, staff costs, depreciation, listing expenses, impairment losses, travelling expenses and other miscellaneous expenses. The following table sets out the breakdown of our Group's administrative expenses for the years indicated:

	Year ended 31 December					
	2013		2014		2015	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Research and development expenses	7,821	24.7	9,438	30.7	8,434	23.3
Staff costs	4,155	13.1	4,405	14.3	5,967	16.5
Depreciation	3,350	10.6	3,240	10.6	3,059	8.5
Listing expenses	3,282	10.4	585	1.9	7,592	21.0
Impairment losses	2,459	7.8	3,274	10.7	329	0.9
Travelling expenses	2,187	6.9	1,758	5.7	1,897	5.2
Entertainment	1,348	4.3	1,490	4.9	1,683	4.7
Loss on disposal of property, plant and equipment	1,216	3.8	–	–	26	0.1
Other taxes	906	2.9	903	2.9	856	2.4
Office expenses	889	2.8	1,231	4.0	868	2.4
Amortisation of prepaid lease payment	449	1.4	449	1.5	449	1.2
Rental expense	240	0.8	360	1.2	477	1.3
Others	3,337	10.5	3,570	11.6	4,519	12.5
Total	31,639	100.0	30,703	100.0	36,156	100.0

For each of the years ended 31 December 2013, 2014 and 2015, administrative expenses amounted to approximately RMB31.6 million, RMB30.7 million and RMB36.2 million respectively, which accounted for approximately 15.9%, 13.8% and 12.8% of our turnover, respectively. Please refer to the section headed "Year-to-year Comparison of Results of Operations" in this section for the discussion of the fluctuation in our administrative expenses for each of the years ended 31 December 2013, 2014 and 2015.

Finance costs

Our Group's finance costs represent interest expenses incurred on bank borrowings. For the years ended 31 December 2013, 2014 and 2015, finance costs were approximately RMB2.2 million, RMB1.5 million and RMB2.1 million, respectively. Please refer to the section headed "Financial Information – Statement of Indebtedness" in this Prospectus for detailed information of our bank borrowings.

Income tax expenses

Income tax expenses mainly represent the tax expenses incurred in relation to the operations of our Group in the PRC.

Since Jiangsu Snow Leopard, our principal operating subsidiary in the PRC, was recognised as a High and New Technology Enterprise, it has been granted tax concessions by the local tax bureau and was entitled to EIT at a concessionary rate of 15% during the Track Record Period.

The Company was incorporated in the Cayman Islands as an exempted company and is exempt from Cayman Islands income tax. No provision for Hong Kong profits tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong profit tax during the Track Record Period.

The following table sets forth our income tax expenses and effective tax rate for the years indicated:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
PRC enterprise income tax	2,727	3,638	5,015
Deferred tax	(488)	(531)	26
Total	2,239	3,107	5,041
Profit before tax	13,280	20,255	33,200
Effective tax rate	16.9%	15.3%	15.2%

Our taxable profit was principally generated by Jiangsu Snow Leopard, our principal subsidiary in the PRC, which was entitled to a concessionary PRC enterprise income tax rate of 15%. The effective tax rate of our Group was higher than the PRC enterprise income tax rate applicable to Jiangsu Snow Leopard for each of the years ended 31 December 2013, 2014 and 2015 primarily due to the listing expenses incurred and the expenses incurred by the offshore companies of the Group which were not income tax deductible.

Our Directors confirm that, for each of the years ended 31 December 2013, 2014 and 2015 and up to the Latest Practicable Date, our Group has paid all tax demanded and our Directors are not aware of any dispute or potential dispute with the relevant tax authorities, which would have had a material impact on our business, financial condition or results of operations.

Further details of our Group's income tax expenses are set forth in Note 10 to the Accountants' Report in Appendix I to this Prospectus.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2015 compared to year ended 31 December 2014

Turnover

Our turnover increased by approximately 27.4% from approximately RMB222.3 million for the year ended 31 December 2014 to approximately RMB283.1 million for the year ended 31 December 2015, primarily as a result of the increase in turnover of oral care products from approximately RMB91.6 million for the year ended 31 December 2014 to approximately RMB138.9 million for the year ended 31 December 2015, representing a year-on-year growth of 51.6%. The increase in turnover of oral care products was mainly driven by the increase in the turnover of functional toothpaste under our "Fe Golden Classic Dentist (fe金典牙醫)" brand which increased by approximately 52.2% from approximately RMB79.3 million for the year ended 31 December 2014 to approximately RMB120.7 million for the year ended 31 December 2015. Such increase was mainly due to increased brand recognition as a result of our continued marketing and promotional efforts and the expansion of our retail network. Turnover of household hygiene products also recorded healthy growth from approximately RMB72.5 million in 2014 to RMB85.5 million in 2015, representing a year-on-year growth of 17.9%. The growth was mainly due to the increase in sales of our key household hygiene product, hand grenade detergent (手榴彈油污淨). Turnover of our leather care products increased by approximately RMB2.1 million or 3.8%, from approximately RMB54.9 million for the year ended 31 December 2014 to approximately RMB57.0 million for the year ended 31 December 2015, which was mainly driven by the increase in turnover from our high-end leather care products under our "Larento (老人頭)" brand.

Cost of sales

Cost of sales increased by approximately 17.1% from approximately RMB131.8 million for the year ended 31 December 2014 to approximately RMB154.4 million for the year ended 31 December 2015, primarily as a result of the increase in turnover for the same period.

Gross profit and gross profit margin

Our gross profit increased by approximately 42.3% from approximately RMB90.5 million for the year ended 31 December 2014 to approximately RMB128.8 million for the year ended 31 December 2015. The increase was mainly attributable to the increase in both turnover and gross profit margin. Our gross profit margin increased by approximately 4.8 percentage points from approximately 40.7% or the year ended 31 December 2014 to approximately 45.5% for the year ended 31 December 2015, mainly because (i) gross profit margin of our oral care products increased from approximately 44.3% for the year ended 31 December 2014 to approximately 51.6% for the year ended 31 December 2015 due to increase in selling prices and more high-end functional toothpaste sold in 2015; and (ii) oral care products, being our most profitable segment, accounted for a higher proportion of our total turnover in 2015 due to the rapid growth of our functional toothpaste products.

Other income

Other income remained stable at approximately RMB1.4 million for the year ended 31 December 2014 and 2015.

Selling and distribution costs

Selling and distribution costs increased from approximately RMB39.4 million for the year ended 31 December 2014 to approximately RMB58.7 million for the year ended 31 December 2015, representing a year-on-year increase of approximately 49.0%. The increase was primarily attributable to the increase in advertising and promotion expenses by approximately RMB11.9 million, or 73.5%, from approximately RMB16.2 million for the year ended 31 December 2014 to approximately RMB28.1 million for the year ended 31 December 2015. Such increase was primarily because we engaged more personnel to promote our products at the retail outlets to support the expansion of our retail and distribution network in 2015. The number of our distributors increased from 409 as at 31 December 2014 to 470 as at 31 December 2015 and we engaged one new retailer customer in 2015 which sells our products at over 200 retail outlets in Northern China.

Administrative expenses

Administrative expenses increased from approximately RMB30.7 million for the year ended 31 December 2014 to approximately RMB36.2 million for the year ended 31 December 2015, representing a year-on-year increase of approximately 17.9%. The increase was attributable to the increase in listing expenses from approximately RMB0.6 million for the year ended 31 December 2014 to approximately RMB7.6 million for the year ended 31 December 2015. The increase was mainly attributable to the significant work related to the Listing performed by the professional parties and the submission of listing application in 2015.

Finance costs

Finance costs increased from approximately RMB1.5 million for the year ended 31 December 2014 to approximately RMB2.1 million for the year ended 31 December 2015, representing a year-on-year increase of approximately 40.0%. The increase was primarily attributable to (i) the increase in effective interest rate in 2015; and (ii) the increase in the average outstanding bank borrowings during the year ended 31 December 2015 as compared with the year ended 31 December 2014.

Profit before tax

As a result of the foregoing, profit before tax increased from approximately RMB20.3 million for the year ended 31 December 2014 to approximately RMB33.2 million for the year ended 31 December 2015, representing a year-on-year increase of approximately 63.5%.

Income tax

Income tax expenses increased from approximately RMB3.1 million for the year ended 31 December 2014 to approximately RMB5.0 million for the year ended 31 December 2015, mainly attributable to the increase in profit before income tax for the same period.

Profit for the year and net profit margin

As a result of the foregoing, our net profit increased by approximately 64.9% from approximately RMB17.1 million for the year ended 31 December 2014 to approximately RMB28.2 million for the year ended 31 December 2015 and our net profit margin increased by approximately 2.2 percentage points from approximately 7.7% for the year ended 31 December 2014 to approximately 9.9% for the year ended 31 December 2015.

Year ended 31 December 2014 compared to year ended 31 December 2013

Turnover

Our turnover increased by approximately 12.0% from approximately RMB198.5 million for the year ended 31 December 2013 to approximately RMB222.3 million for the year ended 31 December 2014, primarily as a result of the increase in turnover of oral care products from approximately RMB69.1 million for the year ended 31 December 2013 to approximately RMB91.6 million for the year ended 31 December 2014, representing a year-on-year growth of 32.6%. The increase in turnover of oral care products was mainly driven by the increase in the turnover of functional toothpaste under our "Fe Golden Classic Dentist (fe金典牙醫)" brand which increased by approximately 42.1% from approximately RMB55.8 million for the year ended 31 December 2013 to approximately RMB79.3 million for the year ended 31 December 2014. Such increase was mainly due to increased brand recognition as a result of our continued marketing and promotional efforts. Turnover of household hygiene products also recorded healthy growth from approximately RMB64.5 million in 2013 to RMB72.5 million in 2014, representing a year-on-year growth of 12.4%. The growth was mainly due to the increase in sales of our key household hygiene product, hand grenade detergent (手榴彈油污淨). Growth in turnover of oral care products and household hygiene products was partially offset by the drop in turnover of our leather care products, which decreased by approximately 12.4% from approximately RMB62.7 million for the year ended 31 December 2013 to approximately RMB54.9 million for the year ended 31 December 2014, which was mainly due to (i) change in consumer preferences towards high-end leather care products; and (ii) we did not timely adjust our sales strategies in response to the changes in the market as we had placed our sales focus on our oral care products.

Cost of sales

Cost of sales increased by approximately 10.4% from approximately RMB119.4 million for the year ended 31 December 2013 to approximately RMB131.8 million for the year ended 31 December 2014, primarily as a result of the increase in turnover for the same period.

Gross profit and gross profit margin

Our gross profit increased by approximately 14.4% from approximately RMB79.1 million for the year ended 31 December 2013 to approximately RMB90.5 million for the year ended 31 December 2014. The increase was mainly attributable to the increase in turnover. Our gross profit margin increased by approximately 0.8 percentage point from approximately 39.9% or the year ended 31 December 2013 to approximately 40.7% for the year ended 31 December 2014, mainly because oral care products, the gross profit margin of which was relatively higher than our other products, accounted for a higher proportion of our total turnover for the year ended 31 December 2014 as compared with the year ended 31 December 2013.

Other income

Other income increased by approximately RMB0.2 million, or 16.7%, from approximately RMB1.2 million for the year ended 31 December 2013 to approximately RMB1.4 million for the year ended 31 December 2014, mainly due to the increase in government grants from approximately RMB126,000 for the year ended 31 December 2013 to approximately RMB340,000 for the year ended 31 December 2014.

Selling and distribution costs

Selling and distribution costs increased from approximately RMB33.1 million for the year ended 31 December 2013 to approximately RMB39.4 million for the year ended 31 December 2014, representing a year-on-year increase of approximately 19.0%. The increase was primarily attributable to the increase in delivery costs as a result of the increase in turnover and the expansion of our distribution network to lower tier cities.

Administrative expenses

Administrative expenses decreased from approximately RMB31.6 million for the year ended 31 December 2013 to approximately RMB30.7 million for the year ended 31 December 2014, representing a year-on-year decrease of approximately 2.8%. The decrease was primarily attributable to the decrease in listing expenses from approximately RMB3.3 million for the year ended 31 December 2013 to approximately RMB0.6 million for the year ended 31 December 2014. Listing expenses incurred by our Group during the year ended 31 December 2013 were mainly related to the appointment of the professional parties involved in the Listing. The decrease in listing expenses in 2014 was primarily because no significant milestone of Listing was achieved in 2014 as it took relatively long time for us to prepare and provide the relevant documents and for the professional parties to conduct their due diligence in the preparation for the Listing, due to the long history of our Group and our oral care products segment started to experience rapid growth in 2013 and 2014 thus a significant portion of our management's attention was focused on the business operations of our Group.

Finance costs

Finance costs decreased from approximately RMB2.2 million for the year ended 31 December 2013 to approximately RMB1.5 million for the year ended 31 December 2014, representing a year-on-year decrease of approximately 31.8%. The decrease was primarily attributable to the decrease in the average outstanding bank borrowings during the year ended 31 December 2014 as compared with the year ended 31 December 2013.

Profit before tax

As a result of the foregoing, profit before tax increased from approximately RMB13.3 million for the year ended 31 December 2013 to approximately RMB20.3 million for the year ended 31 December 2014, representing a year-on-year increase of approximately 52.6%.

Income tax

Income tax expenses increased from approximately RMB2.2 million for the year ended 31 December 2013 to approximately RMB3.1 million for the year ended 31 December 2014, mainly attributable to the increase in profit before income tax for the same period.

Profit for the year and net profit margin

As a result of the foregoing, our net profit increased by approximately 55.5% from approximately RMB11.0 million for the year ended 31 December 2013 to approximately RMB17.1 million for the year ended 31 December 2014 and our net profit margin increased by approximately 2.1 percentage points from approximately 5.6% for the year ended 31 December 2013 to approximately 7.7% for the year ended 31 December 2014.

MAJOR COMPONENTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net current liabilities

Details of our Group's current assets and liabilities as at respective dates of the consolidated statements of financial position are extracted as follows:

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Current assets				
Inventories	25,248	28,827	22,816	27,571
Trade and other receivables	39,215	38,202	45,090	46,859
Prepaid lease payments	449	449	449	449
Bank balances and cash	22,483	24,618	25,344	5,077
	87,395	92,096	93,699	79,956
Current liabilities				
Trade and other payables	55,586	79,139	86,010	66,266
Amount due to a shareholder	1,619	1,623	1,959	1,923
Amounts due to related parties	12,322	12,419	13,047	12,835
Income tax payables	1,452	2,420	2,124	2,898
Bank borrowings	31,000	39,000	30,000	34,000
	101,979	134,601	133,140	117,922
Net current liabilities	(14,584)	(42,505)	(39,441)	(37,966)

Net current liabilities

We had net current liabilities of approximately RMB14.6 million, RMB42.5 million and RMB39.4 million as at 31 December 2013, 2014 and 2015, respectively. As at 30 April 2016, being the latest practicable date for liquidity disclosure, we had net current liabilities of approximately RMB38.0 million. The increase in our net current liabilities from approximately RMB14.6 million as at 31 December 2013 to approximately RMB42.5 million as at 31 December 2014 was mainly attributable to the construction of the new office building and production facilities of the Group, which was principally financed by the working capital and short term bank borrowing of the Group. As a result, property, plant and equipment of the Group increased from approximately RMB57.8 million as at 31 December 2013 to approximately RMB101.9 million as at 31 December 2014. The decrease in our net current liabilities from 31 December 2014 to 31 December 2015 was mainly attributable to

the net profit of the Group for the year ended 31 December 2015 of approximately RMB28.2 million, which has been reflected in the increase of property, plant and equipment of approximately RMB23.3 million and the improvement of our net current liabilities by approximately RMB3.1 million. The decrease in our net current liabilities as at 30 April 2016 as compared to that as at 31 December 2015 was mainly attributable to our profitable results of operations during the four months ended 30 April 2016. Capital expenditures expected to be incurred by our Group for each of the two years ending 31 December 2016 and 2017 are approximately RMB34.5 million and RMB12.1 million, respectively, mainly for the expansion of our production and warehousing capacity. We expect to finance our working capital requirements through a combination of internally-generated cash flows, proceeds from the Placing and bank borrowings. Our Group had not experienced difficulties in obtaining credit facilities or making draw downs, or been requested to make early repayment in connection with its borrowings, or defaulted in payment or committed breach of loan covenants for each of the years ended 31 December 2013, 2014, 2015 and up to the Latest Practicable Date. As our net cash generated from operating activities continued to increase from 2013 to 2015 and we had unutilised banking facilities of RMB41.0 million as at the Latest Practicable Date, our Directors consider that our Group will have sufficient financial resources to fund its working capital requirements going forward. For further information regarding our measures to improve our net current liabilities position and enhance our working capital sufficiency, please see the section headed "Financial Information – Working capital" in this Prospectus.

Inventories

Inventories were one of the principal components of our current assets, which accounted for approximately 28.9%, 31.3% and 24.4% of our total current assets as at 31 December 2013, 2014 and 2015, respectively.

The following table is a summary of our balance of inventories as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	16,913	17,497	18,258
Work in progress	825	519	322
Finished goods	7,510	10,811	4,236
Total	25,248	28,827	22,816

Our Group's inventories increased by approximately 14.3% from approximately RMB25.2 million as at 31 December 2013 to approximately RMB28.8 million as at 31 December 2014, which was generally in line with the increase in turnover from the year ended 31 December 2013 to the year ended 31 December 2014.

Our Group's inventories decreased by approximately 20.8% from approximately RMB28.8 million as at 31 December 2014 to approximately RMB22.8 million as at 31 December 2015. The decrease of our balance of inventories was due to (i) our effective inventory management; and (ii) the increase in sales in the fourth quarter of 2015 in anticipation of the year end promotion activities of our customers which lowered our balance of finished goods.

The following table sets out our average inventories turnover days for each of the years ended 31 December 2013, 2014 and 2015:

	Year ended 31 December		
	2013	**2014**	**2015**
Average inventories turnover days *(Note)*	80.5	74.9	61.1

Note: Average inventories turnover days are calculated as the average of opening and closing inventory balances divided by cost of sales for that year and multiplied by 365 days.

Our Group's average inventories turnover days for each of the years ended 31 December 2013, 2014 and 2015 were 80.5 days, 74.9 days and 61.1 days respectively. The decreasing average inventories turnover days was mainly due to the increase in our cost of sales in line with our turnover growth while our inventory balances were relatively stable as a result of our effective inventory management. As at 30 April 2016, being the latest practicable date for liquidity disclosure, approximately RMB16.6 million, or 72.8% of our Group's inventories as at 31 December 2015 has been utilised or sold.

Trade and bills receivables

Our trade and bills receivables primarily consist of trade receivables relating to receivables for good sold to our customers.

Trade receivables are non-interest bearing. Our group does not hold any collateral over its trade and bill receivables.

In general, our Group allows a credit period of 0 to 60 days to our customers. We generally require our distributors to settle their payments with us before we deliver our goods to them and on a case by case basis, our chairman may approve the grant of extension of repayment period of not more than 90 days to a distributor after considering the credit history, financial status and business potential of the distributor. We grant credit period of 45 to 60 days and 0 to 15 days to our retailer customers and major OEM customers, respectively. Our Group seeks to maintain strict control over outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The following table sets out the balance of our Group's trade and bills receivables as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	14,527	28,321	37,566
Bill receivables	3,293	–	–
	17,820	28,321	37,566

The following table sets out the breakdown of our Group's trade and bills receivables by customer category as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Distributors	7,515	16,618	23,473
Retailers	8,141	9,514	9,729
OEM customers	1,570	1,532	3,024
Others	594	657	1,340
	17,820	28,321	37,566

Our Group's trade and bills receivables increased by approximately 59.0% from approximately RMB17.8 million as at 31 December 2013 to approximately RMB28.3 million as at 31 December 2014, primarily because we granted credit period to some of our customers since 2014 as we required such customers to place additional deposits with us. Trade and bills receivables further increased by approximately 32.9% to approximately RMB37.6 million as at 31 December 2015, primarily due to (i) the increase in sales to our retailer customers in 2015, to which we granted credit period of 60 days; and (ii) the increase in sales in the fourth quarter of 2015 in anticipation of the year end promotion activities of our customers.

The following is an aged analysis of trade and bills receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the dates indicated.

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	14,218	17,332	34,581
Over 3 months but less than 6 months	1,134	10,408	2,653
Over 6 months but less than 1 year	1,685	193	332
Over 1 year but less than 2 years	783	388	–
Total	17,820	28,321	37,566

Trade and bills receivables aged over 3 months significantly increased from approximately RMB3.6 million as at 31 December 2013 to approximately RMB11.0 million as at 31 December 2014, mainly because we had required some of our distributors to place more deposits with us since 2014 and therefore granted longer credit period to these customers. Such extension of credit period was temporary in nature. We have adopted more stringent measures to ensure timely collection of our trade receivables, including following up the past due amounts with our customers more closely and limiting the amount of temporary credit granted to some of our distributor customers to the amount of deposit placed with us by the relevant distributors. As at 31 December 2015, approximately 92.1% of our trade and bills receivables were aged within 3 months.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions would apply to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances.

Impairment losses had been recognised for trade receivables of approximately RMB2.5 million, RMB2.9 million and RMB148,000 for each of the years ended 31 December 2013, 2014 and 2015 respectively since our Directors considered the prolonged outstanding balances were uncollectible.

The following table sets out the aged analysis of our trade and bills receivables presented based on the due date as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Not yet past due	10,058	10,760	31,488
Overdue within 3 months	5,266	8,445	3,447
Overdue 3 months to 6 months	434	8,536	2,298
Overdue 6 months to 1 year	1,618	192	333
Overdue 1 year to 2 years	444	388	–
Total	17,820	28,321	37,566

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately RMB7.8 million, RMB17.6 million and RMB6.1 million as at 31 December 2013, 2014 and 2015 respectively which were past due at the end of each reporting period for which the Group has not provided for impairment loss. Receivables that were past due but not impaired related to a number of independent customers with no recent history of default.

Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The following table sets out our average trade and bills receivables turnover days for each of the years ended 31 December 2013, 2014 and 2015:

	Year ended 31 December		
	2013	**2014**	**2015**
Average trade and bills receivables turnover days *(Note)*	40.6	37.9	42.5

Note: Average trade and bills receivables turnover days are calculated as the average of opening and closing trade and bills receivables balances divided by sales for that year and multiplied by 365 days.

Our Group's average trade and bills receivables turnover days remained stable at approximately 40.6 days, 37.9 days and 42.5 days for each of the years ended 31 December 2013, 2014 and 2015, respectively. The increase in average trade and bills receivables turnover days from the year ended 31 December 2014 to the year ended 31 December 2015 was attributable to the increase in the balance of trade and bills receivables as at 31 December 2015 for the reasons discussed above.

The following table sets out our average trade and bills receivables turnover days after excluding receivables from our distributor and OEM customers for each of the years ended 31 December 2013, 2014 and 2015:

	Year ended 31 December		
	2013	**2014**	**2015**
Average trade and bills receivables turnover days after excluding receivables from distributor and OEM customers *(Note)*	189.2	149.9	129.8

Note: The turnover days are calculated as the average of opening and closing trade and bills receivables balances excluding receivables from distributor and OEM customers divided by sales for that year excluding sales to distributor and OEM customers and multiplied by 365 days. The reason for excluding receivables from our distributor and OEM customers is because we generally require our distributors to settle payments before delivery of goods and grant credit period of 0 to 15 days to our major OEM customers.

Our trade and bills receivables after excluding receivables from our distributor and OEM customers mainly represented receivables from our retailer customers. The average turnover days of such receivables were considerably longer than the credit period of 45 to 60 days we grant to our retailer customers during the Track Record Period mainly because our retailer customers, which are chain supermarkets or hypermarkets in the PRC, might from time to time delay their payment to us. Having considered that (i) turnover from retailer customers only represented 7.6%, 8.6% and 8.9% of our total turnover during each of the years ended 31 December 2013, 2014 and 2015 respectively; (ii) we did not experience any significant bad debt from our retailer customers during the Track Record Period; and (iii) as a result of our cash flow management, average turnover days of trade and bills receivables after excluding receivables from distributor and OEM customers have decreased from approximately 189.2 days for the year ended 31 December 2013 to approximately 129.8 days for the year ended 31 December 2015, our Directors are of the view that the delay in payment by our retailer customers would not have any material adverse impact on our financial position and working capital status.

As at 30 April 2016, being the latest practicable date for liquidity disclosure, approximately RMB29.6 million, or 78.7% of our Group's trade and bills receivables as at 31 December 2015 were subsequently settled.

Deposits and other receivables and prepayments

The following table sets out the balances of our Group's deposits and other receivables and prepayments as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Deposits and other receivables	13,827	2,960	1,185
Prepayments	7,568	6,921	6,339

Deposits and other receivables primarily consisted of advances to our staff and independent third parties, which were interest free, unsecured loans repayable on demand.

Our deposits and other receivables decreased from approximately RMB13.8 million as at 31 December 2013 to approximately RMB3.0 million as at 31 December 2014, and further decreased to approximately RMB1.2 million as at 31 December 2015 primarily because of our collection of such advances as a result of our more stringent cashflow management. We do not intend to continue making such advances after Listing. Prepayments primarily consisted of prepayments paid to our suppliers.

Impairment had been recognised for other receivables and prepayments of approximately nil, RMB327,000 and RMB181,000 for each of the years ended 31 December 2013, 2014 and 2015 respectively since our Directors considered the prolonged outstanding balances were uncollectible or cannot be utilised/recovered.

Trade and bills payables

Our Group's trade and bills payables primarily consist of trade payables relating to procurements from suppliers. Trade payables are non-interest-bearing. In general, our Group's suppliers give us an average credit period of 30 to 60 days. The Group has financial risk management policies to ensure all payables are settled within the credit timeframe. Set out below is the summary of our Group's trade and bills payables balances and aged analysis as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	27,450	23,732	24,330

Trade and bills payables remained stable as at the dates indicated.

The following is an aged analysis of trade and bills payables presented based on the invoice date.

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	18,490	18,785	22,433
Over 3 months but less than 6 months	4,847	1,557	1,438
Over 6 months but less than 1 year	512	275	293
Over 1 year but less than 2 years	516	179	122
Over 2 years but less than 5 years	3,085	2,936	44
Total	27,450	23,732	24,330

Trade and bills payables aged over 3 months mainly related to our suppliers having a long business relationship with us which might from time to time extend longer credit period to us. As at 31 December 2015, approximately 92.2% of our trade and bills payables were aged within 3 months.

The following table sets out our average trade and bills payables turnover days for each of the years ended 31 December 2013, 2014 and 2015:

	Year ended 31 December		
	2013	**2014**	**2015**
Average trade and bills payable turnover days *(Note)*	88.0	70.9	56.8

Note: Average trade and bills payables turnover days are calculated as the average of opening and closing trade and bills payables balances divided by cost of sales for that year and multiplied by 365 days.

Our Group's average trade and bills payables turnover days were approximately 88.0 days, 70.9 days and 56.8 days for each of the years ended 31 December 2013, 2014 and 2015, respectively. The decrease in trade and bills payables turnover days was primarily because our Group was granted shorter credit period by some new suppliers since 2014.

As at 30 April 2016, being the latest practicable date for liquidity disclosure, approximately RMB20.6 million, or 85.5% of our Group's trade and bills payables as at 31 December 2015 were subsequently paid.

Receipts in advance

The following table sets out the balances of our receipts in advance as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Receipts in advance	17,038	12,932	11,783

Receipts in advance primarily consisted of prepayments paid by our customers which remained stable as at 31 December 2013, 2014 and 2015.

Accruals, other payables and advances from independent third party

The following table sets out the balances of our accruals, other payables and advances from independent third party as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Accruals and other payables	9,950	31,628	31,837
Advances from independent third party	990	990	876

Accruals and other payables primarily consisted of security deposits received from our customers. The increase in accruals and other payables from approximately RMB10.0 million as at 31 December 2013 to approximately RMB31.6 million as at 31 December 2014 was primarily because we had required some of our major distributors to place more deposits with us since 2014. Accruals and other payables remained stable as at 31 December 2014 and 2015.

Advances from independent third party represented the amount paid to us by a potential business partner as prepayment before the Track Record Period. We did not conduct any business with this potential business partner after the receipt of the prepayment and it did not claim such amount. The advances have been settled before Listing and we do not intend to continue receiving such advances after Listing.

Payables for property, plant and equipment

The following table sets out the balances of our payables for property, plant and equipments as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Payables for property, plant and equipment	158	9,857	17,184

Payables for property, plant and equipments increased from approximately RMB0.2 million as at 31 December 2013 to approximately RMB9.9 million as at 31 December 2014, and further increased to approximately RMB17.2 million as at 31 December 2015, which was primarily attributable to the construction of the new office building and production facilities of the Group.

AMOUNTS DUE TO A SHAREHOLDER / RELATED PARTIES

As at the respective dates, we had the following balances with related parties:

	As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Amount due to a shareholder	1,619	1,623	1,959
Amounts due to related parties	12,322	12,419	13,047
Total	13,941	14,042	15,006

The amounts are unsecured, interest-free and repayable on demand.

The amounts due to related parties represented amount due to Lao Ren Tou (International) Limited ("Lao Ren Tou") (老人頭(國際)有限公司), a company beneficially owned by a close family member of Ms. Du Yongwei, our executive Director, and amount due to Mr. Tong Yu, the spouse of Ms. Li, the chairman of our Company and our Controlling Shareholder. The amount due to Lao Ren Tou was due to fund advanced to our Group by Lao Ren Tou before the Track Record Period and was non-trade in nature. Lao Ren Tou ceased to be a related party of the Group since October 2015 when the close family member of Ms. Du Yongwei ceased to be a shareholder of Lao Ren Tou. Following such change, the amount due to Lao Ren Tou of RMB280,000 was settled during the year ended 31 December 2015.

Our Directors confirm that these balances have been settled before Listing using proceeds from a loan from an independent third party.

Property, plant and equipment

The carrying values of our Group's property, plant and equipment were approximately RMB57.8 million, RMB101.9 million and RMB125.2 million, representing approximately 34.3%, 46.7% and 51.3% of our total assets as at 31 December 2013, 2014 and 2015, respectively. The increase in our property, plant and equipment was mainly attributable to the increase in construction in progress from approximately RMB5.3 million as at 31 December 2013 to approximately RMB51.6 million as at 31 December 2014, and further increased to approximately RMB75.3 million as at 31 December 2015, which was related to the construction of our new office building and production facilities located in Jiangyin, Jiangsu Province, the PRC. As at 31 December 2013, 2014 and 2015, the Group's buildings amounting to approximately RMB20.7 million, RMB19.5 million and RMB18.3 million respectively were pledged to secure banking facilities granted to the Group.

LIQUIDITY AND CAPITAL RESOURCES

During the years ended 31 December 2013, 2014 and 2015, we have principally financed our operations through a combination of internally generated cashflow from our operations and short-term bank borrowings. Going forward, we expect to continue our

current approach of (i) relying on our internally-generated cash flows; (ii) using the proceeds from the Placing; and (iii) bank borrowings, for our working capital requirements and capital expenditures.

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for our working capital and capital expenditure needs. The Directors confirm that during the years ended 31 December 2013, 2014 and 2015, our Group did not have any material defaults in payment of trade and non-trade payables and bank borrowings, and/or breach of financial covenants.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The below table sets forth our Group's cash flows generated from or used in operating, investing and financing activities and the cash and cash equivalents for each of the years ended 31 December 2013, 2014 and 2015:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	25,041	27,927	33,642
Net cash used in investing activities	(14,384)	(32,590)	(21,927)
Net cash (used in) from financing activities	(4,264)	6,802	(10,990)
Net increase in cash and cash equivalents	6,393	2,139	725
Cash and cash equivalents at beginning of year	16,088	22,483	24,618
Effect of foreign exchange rate changes	2	(4)	1
Cash and cash equivalents at end of year	22,483	24,618	25,344

Cash flows from operating activities

We derive our cash inflow from operating activities principally from the sale of our products. Our cash outflow used in operating activities is principally for purchases of raw materials and packaging materials.

Year ended 31 December 2013

For the year ended 31 December 2013, net cash generated from operating activities amounted to approximately RMB25.0 million. Profit before tax for the same period was approximately RMB13.3 million. The difference of approximately RMB11.7 million was mainly attributable to (i) depreciation of property, plant and equipment of approximately RMB5.8 million; (ii) impairment loss of trade receivables of approximately RMB2.5 million; (iii) decrease in trade and other receivable of approximately RMB7.0 million; and (iv)

finance costs of approximately RMB2.2 million, which was partially offset by (i) the decrease in trade and other payables of approximately RMB6.2 million; and (ii) income taxes paid of approximately RMB3.3 million.

Year ended 31 December 2014

For the year ended 31 December 2014, net cash generated from operating activities amounted to approximately RMB27.9 million. Profit before tax for the same period was approximately RMB20.3 million. The difference of approximately RMB7.6 million was mainly attributable to (i) the increase in trade and other payables of approximately RMB13.9 million; (ii) depreciation for property, plant and equipment of approximately RMB6.2 million; and (iii) finance costs of approximately RMB1.5 million, which was partially offset by the increase in inventories of approximately RMB3.6 million and increase in trade and other receivables of approximately RMB11.1 million.

Year ended 31 December 2015

For the year ended 31 December 2015, net cash generated from operating activities amounted to approximately RMB33.6 million. Profit before tax for the same period was approximately RMB33.2 million. The difference of approximately RMB0.4 million was mainly attributable to (i) the decrease in inventories of approximately RMB6.0 million; (ii) depreciation for property, plant and equipment of approximately RMB5.7 million; and (iii) finance costs of approximately RMB2.1 million, which was offset by (i) the increase in trade and other receivables of approximately RMB8.3 million; and (ii) income taxes paid of approximately RMB5.3 million.

Cash flows used in investing activities

Our cash outflow used in investing activities related primarily to (i) acquisition of property, plant and equipment for the expansion of office space and production capacity; and (ii) advance to independent third parties.

Year ended 31 December 2013

For the year ended 31 December 2013, we had net cash used in investing activities of approximately RMB14.4 million, which was primarily comprised of acquisition of property, plant and equipment and advance to independent third parties of approximately RMB5.0 million and RMB9.4 million respectively.

Year ended 31 December 2014

For the year ended 31 December 2014, we had net cash used in investing activities of approximately RMB32.6 million, which was primarily comprised of acquisition of property, plant and equipment and deposit for acquisition of property, plant and equipment of approximately RMB40.0 million and RMB1.6 million, respectively, partially offset by repayment from independent third parties of approximately RMB8.8 million.

Year ended 31 December 2015

For the year ended 31 December 2015, we had net cash used in investing activities of approximately RMB21.9 million, which was primarily comprised of acquisition of property, plant and equipment and deposit for acquisition for property, plant and equipment of approximately RMB19.8 million and RMB3.4 million, respectively, partially offset by repayment from independent third parties of approximately RMB1.1 million.

Cash flow used in/from financing activities

We derive our cash inflow from financing activities principally from bank borrowings. Our cash outflow used in financing activities related primarily to our repayment of principal and interests on our bank loans.

Year ended 31 December 2013

For the year ended 31 December 2013, we had net cash used in financing activities of approximately RMB4.3 million, which was primarily attributable to the repayment of bank borrowings and finance costs of RMB124.0 million and approximately RMB2.2 million, respectively. The cash outflow was partially offset by proceeds of bank borrowings of RMB122.5 million.

Year ended 31 December 2014

For the year ended 31 December 2014, we had net cash generated from financing activities of approximately RMB6.8 million, which was primarily due to the proceeds from bank borrowings of RMB39.0 million. The cash inflow was partially offset by repayment of bank borrowings and finance costs of RMB31.0 million and approximately RMB1.5 million, respectively.

Year ended 31 December 2015

For the year ended 31 December 2015, we had net cash used in financing activities of approximately RMB11.0 million, which was primarily attributable to the repayment of bank borrowings and finance costs of RMB39.5 million and approximately RMB2.1 million respectively. The cash outflow was partially offset by proceeds of bank borrowings of RMB30.5 million.

STATEMENT OF INDEBTEDNESS

Set out below is the summary of our Group's balances of bank borrowings as at the respective dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank loans – secured	31,000	39,000	30,000

The Group obtained proceeds from banking facilities of RMB122.5 million, RMB39.0 million and RMB30.5 million for each of the years ended 31 December 2013, 2014 and 2015, respectively. As at 31 December 2013, 2014 and 2015, all interest-bearing borrowings carried interest at variable market interest rates, which are based on the PBOC lending rate plus a specific margin per annum.

	As at 31 December		
	2013	**2014**	**2015**
Variable-rate borrowings	6.0% to 8.1%	6.6% to 8.1%	6.0% to 6.6%

As at 31 December 2013, 2014 and 2015, bank borrowings were secured by certain buildings, prepaid lease payments and trademarks in aggregate of approximately RMB38.7 million, RMB36.9 million and RMB25.5 million respectively.

As at the close of business on 30 April 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this Prospectus, the indebtedness of the Group had outstanding secured bank loans of RMB34,000,000, which were secured by the Group's land use rights, buildings and trademarks with carrying value of approximately RMB24,954,000, loan from an independent third party of approximately RMB876,000, amounts due to a shareholder and related parties of approximately RMB1,923,000 and RMB12,835,000 respectively which were unsecured, interest-free and repayable on demand.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or contingent liabilities.

The directors of the Company confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 30 April 2016, being the date for determining the Group's indebtedness up to the date of this Prospectus.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we were not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. Save as disclosed above, for each of the years ended 31 December 2013, 2014 and 2015 and up to the Latest Practicable Date, our Group did not have any outstanding mortgage, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits, any guarantees outstanding or any other material contingent liabilities.

WORKING CAPITAL

As at 31 December 2013, 2014 and 2015, we had bank balances and cash of approximately RMB22.5 million, RMB24.6 million and RMB25.3 million, respectively. However, we recorded net current liabilities of approximately RMB14.6 million, RMB42.5 million and RMB39.4 million as at 31 December 2013, 2014 and 2015, respectively. The increase in our net current liabilities from approximately RMB14.6 million as at 31 December 2013 to approximately RMB42.5 million as at 31 December 2014 was mainly attributable to the construction of the new office building and production facilities of the Group, which was principally financed by the working capital and short term bank borrowing of the Group. As a result, property, plant and equipment of the Group increased from approximately RMB57.8 million as at 31 December 2013 to approximately RMB101.9 million as at 31 December 2014. The decrease in our net current liabilities from approximately RMB42.5 million to approximately RMB39.4 million was mainly attributable to the net profit of the Group for the year ended 31 December 2015 of approximately RMB28.2 million, which has been reflected in the increase of property, plant and equipment of approximately RMB23.3 million and the improvement of our net current liabilities by approximately RMB3.1 million. As at 30 April 2016, being the latest practicable date for liquidity disclosure, we had net current liabilities of approximately RMB38.0 million. The decrease in our net current liabilities as at 30 April 2016 as compared to that as at 31 December 2015 was mainly attributable to our profitable results of operations during the four months ended 30 April 2016.

We have adopted the following measures to ensure that we have sufficient financial resources to meet our working capital requirements going forward:

- Banking facilities. Our Directors believe that we have maintained long-term relationships with our principal banks so that we are able to obtain sufficient lines of facilities to meet our cash flow needs. As at the Latest Practicable Date, we had unutilised banking facilities of RMB41.0 million.

- More stringent working capital management. We have adopted various measures to improve our working capital status including but not limited to (i) being more stringent in granting temporary credit period to our distributor customers such as limiting the credit amount to the amount of deposit placed with us by the distributor. We have been implementing such credit policy since November 2015; (ii) negotiating longer credit terms with our suppliers; and (iii) implementing cost control measures.

- Cashflow from operating activities. We intend to continue to fund our cash and liquidity requirements from the net cash generated from our operating activities. Net cash generated from our operating activities increased from approximately RMB25.0 million for the year ended 31 December 2013 to approximately RMB27.9 million for the year ended 31 December 2014 and further increased to approximately RMB33.6 million for the year ended 31 December 2015.

In view of the above, our Directors are of the view, and the Sponsor concurs, after due consideration and discussion with our senior management that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this Prospectus.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as set out in note 30 of the Accountants' Report as set out in Appendix I to this Prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole. Our Directors also confirm that these related party transactions were conducted on arm's length basis and would not distort our results during the Track Record Period or make our historical results not reflective of our future performance.

CAPITAL COMMITMENTS

As at 31 December 2013, 2014 and 2015, the Group has the following capital commitments in respect of acquisition of property, plant and equipment:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for	50,640	21,675	22,420

LEASE COMMITMENT

(a) The Group as lessee

The Group leases certain office properties under operating lease arrangements, with leases negotiated for an original term of 1 to 2 years and rental is fixed over the lease terms.

At the end of each of the reporting years, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	255	53	194
In the second to fifth years inclusive	240	–	48
Total	495	53	242

(b) The Group as lessor

The Group had contracted with tenants under operating lease arrangement, with leases negotiated for an original term of 1 to 3 years.

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	821	79	650
In the second to fifth years inclusive	–	63	113
Total	821	142	763

HISTORICAL CAPITAL EXPENDITURES

The following table sets out our historical capital expenditures for each of the years ended 31 December 2013, 2014 and 2015:

Historical capital expenditures

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	–	–	–
Leasehold improvements	420	–	–
Motor vehicle	941	539	2,060
Plant and machinery	1,209	986	3,099
Office equipments	92	163	317
Construction in progress	2,737	49,550	24,986
Total	5,399	51,238	30,462

Our capital expenditures for each of the years ended 31 December 2013, 2014 and 2015 principally consisted of expenditures on construction in progress for the development of the new office building and production workshop of the Group.

LISTING EXPENSES

Our Group first contemplated the listing on GEM in 2009. However, due to health reasons of our then controlling shareholder, Mr. Tong Yu, such listing exercise was suspended in 2010 and no listing application was submitted. In 2013, we resumed the listing exercise and engaged the relevant professional parties including sponsor, legal advisers and reporting accountant. The total amount of listing expenses in connection with the Placing is estimated to be approximately RMB26.9 million (based on the mid-point of the indicative price range for the Placing). Approximately RMB11.5 million of such listing expenses have

been charged to the consolidated statements of profit or loss of the Group for or before 31 December 2015. It is estimated that listing expenses of approximately RMB9.2 million will be deducted from our Group's capital after the Listing and the remaining approximately RMB6.2 million will be charged to the profit or loss accounts of the Group for the year ending 31 December 2016. The actual amounts to be recognised to our profit or loss accounts or to be deducted from our Group's capital are subject to adjustments based on audit and changes in variables and assumptions. Our Directors expect that our financial performance for the six months ending 30 June 2016 will be adversely affected by the listing expenses to be charged to our consolidated statements of profit or loss for such period.

MAJOR FINANCIAL RATIOS ANALYSIS

Key financial ratios

	As at/for the year ended 31 December		
	2013	**2014**	**2015**
Current ratio	0.9	0.7	0.7
Quick ratio	0.6	0.5	0.5
Return on equity	18.1%	22.8%	28.9%
Return on total assets	6.6%	8.9%	12.2%
Gearing ratio	31.7%	31.8%	21.3%
Interest coverage ratio	7.0	14.1	17.1

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities.

2. Quick ratio is calculated by dividing total current assets minus inventories by total current liabilities.

3. Return on equity is calculated by dividing profit for the year by the average of the beginning and ending balance of total equity for the year.

4. Return on total assets is calculated by dividing profit for the year by the average of the beginning and ending balance of total assets for the year.

5. Gearing ratio is calculated by dividing total bank borrowings by the sum of total bank borrowings and total equity.

6. Interest coverage ratio is calculated by dividing profit before interest and tax by the total finance costs incurred for the year.

Current ratio and quick ratio

Our Group's current ratio decreased from 0.9 as at 31 December 2013 to 0.7 as at 31 December 2014 and maintained at 0.7 as at 31 December 2015. The decrease of current ratio as at 31 December 2014 was primarily due to (i) the increase in accruals and other payables and advances from independent third party from approximately RMB10.9 million as at 31 December 2013 to approximately RMB32.6 million as at 31 December 2014, which was mainly due to the increase in security deposits received from customers since 2014; and (ii)

the increase in payables for property, plant and equipment from approximately RMB0.2 million as at 31 December 2013 to approximately RMB9.9 million as at 31 December 2014 as a result of the construction of the new office building and production workshops of the Group. In line with current ratio, quick ratio of the Group decreased from 0.6 as at 31 December 2013 to 0.5 as at 31 December 2014 and remained stable at 0.5 as at 31 December 2015.

Return on equity

Return on equity of the Group increased from approximately 18.1% for the year ended 31 December 2013 to approximately 22.8% for the year ended 31 December 2014 and further increased to approximately 28.9% for the year ended 31 December 2015, mainly due to the increase in net profit for each of the years ended 31 December 2014 and 2015. Such increase was partially offset by the increase in average of beginning and closing shareholders' equity of the Group.

Return on total assets

Return on total assets of the Group increased from approximately 6.6% for the year ended 31 December 2013 to approximately 8.9% for the year ended 31 December 2014 and further increased to approximately 12.2% for the year ended 31 December 2015, mainly due to the increase in net profit for each of the years ended 31 December 2014 and 2015. Such increase was partially offset by the increase in average of beginning and closing total assets of the Group.

Gearing ratio

Gearing ratio of the Group was approximately 31.7%, 31.8% and 21.3% as at 31 December 2013, 2014 and 2015, respectively. The decrease of our gearing ratio in 2015 was mainly due to (i) the decrease in bank borrowings from RMB39.0 million as at 31 December 2014 to RMB30.0 million as at 31 December 2015; and (ii) the increase in the total equity of the Company from RMB83.7 million as at 31 December 2014 to RMB110.9 million as at 31 December 2015.

Interest coverage ratio

The Group's interest coverage ratio was approximately 7.0 times, 14.1 times and 17.1 times for each of the years ended 31 December 2013, 2014 and 2015, respectively. The increase was mainly due to the increase in net profit before interest and taxes from approximately RMB15.5 million for the year ended 31 December 2013 to approximately RMB21.8 million for the year ended 31 December 2014 and approximately RMB35.3 million for the year ended 31 December 2015.

FINANCIAL RISK MANAGEMENT

Our exposure to credit risk, market risk and liquidity risk arises in the normal course of our business. Our management continuously manages and monitors our exposures to risks associated with these, and our overall risk management programme seeks to minimise the potential adverse effects on our financial performance.

Credit risk

As at 31 December 2013, 2014 and 2015, our Group's and the maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

As at 31 December 2013, our Group has concentration of credit risk as 11% and 35% of total trade receivables was due from our Group's largest customer and the 5 largest customers respectively. As at 31 December 2014, our Group has concentration of credit risk as 10% and 34% of the total trade receivables was due from our Group's largest customer and the 5 largest customers respectively. As at 31 December 2015, our Group has concentration of credit risk as 9% and 29% of the total trade receivables was due from our Group's largest customer and the 5 largest customers respectively.

In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that our Group's credit risk is significantly reduced.

Our Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 99%, 100% and 100% of the total trade receivables as at 31 December 2013, 2014 and 2015 respectively.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies.

Market risk

Interest rate risk

As at 31 December 2013, 2014 and 2015, our Group was exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. It is our Group's policy to keep its bank deposits and balances at floating rate of interests so as to minimise the fair value interest rate risk.

Our Group cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB base deposit/lending rate stipulated by the PBOC arising from our Group's RMB denominated bank balances and bank borrowings.

Currency risk

For each of the years ended 31 December 2013, 2014 and 2015, approximately 99.4%, 99.5% and 99.4% of our Group's sales were denominated in the functional currency of the group entity making the sales respectively, whilst most of our costs were denominated in the respective group entity's functional currency.

As at the Latest Practicable Date, our Group does not have material foreign exchange liabilities or planned dividends. Our Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity Risk

Individual operating entities within our Group are responsible for their own cash management, including cash, current working capital and the raising of funds. Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term.

As at 31 December 2015, our Group had net current liabilities of approximately RMB39.4 million which exposed it to liquidity risk. In the management of the liquidity risk, our Group obtains financing deemed adequate by the management to finance its operations. The factors that may cast doubt on our Group's ability to continue as a going concern and the measures taken are set out in note 1 of the Accountants' Report set out in Appendix I to this Prospectus.

As at 31 December 2013, 2014 and 2015, our Group's remaining contractual maturities for their non-derivative financial liabilities, based on undiscounted cash flows of financial liabilities on the earliest date on which our Group or the Company can be required to pay, are within one year or repayable on demand.

Further details on our financial risk management policies and practices are set out in note 6 to the financial information in the Accountants' Report as set out in Appendix I to this Prospectus.

CAPITAL RISK MANAGEMENT

Our Group manages its capital to ensure that entities within our Group will be able to continue as a going concern while maximising the return to stakeholder through the optimisation of the debt and equity balance. Our Group's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of our Group consists of amounts due to a shareholder and related parties, bank borrowings, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

Our Directors review the capital structure of our Group periodically. As part of this review, our Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, our Group will balance its overall capital structure through new share issues. Our Directors will also consider the raise of additional borrowings as additional capital.

Our Directors also endeavor to ensure the steady and reliable cash flows from the normal business operation.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

DIVIDEND

Our Group currently has no dividend policy and does not have any pre-determined dividend ratio. We have not declared or paid any dividends during the Track Record Period. Any future declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividend will be subject to the constitutional documents of the Company and the Companies Law. Future dividend payment will also depend on payments made from our PRC subsidiaries. Certain payments from our PRC subsidiaries are subject to PRC taxes, statutory reserve requirements and other legal restrictions. There is no assurance that dividends of any amount will be declared or distributed to the Shareholders in the future.

SHARE CAPITAL AND RESERVES

As at 31 December 2015, we had share capital and reserves of approximately RMB110.9 million, which consists of share capital of approximately nil and reserves of approximately RMB110.9 million.

Further details on share capital and reserves are set out in note 25 to the financial information in the Accountants' Report as set out in Appendix I to this Prospectus.

Our Company had no distributable reserves available for distribution to the Shareholders as at the Latest Practicable Date.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as at 30 April 2016 and is of the opinion that the value of our property interests as at such date was an aggregate amount of approximately RMB181,859,000. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this Prospectus.

The statement below shows the reconciliation of aggregate amounts of properties and prepaid lease payments of our Group as reflected on the audited consolidated financial statements as at 31 December 2015 with the valuation of these properties and prepaid lease payments (land use rights) as at 30 April 2016 as set out in Appendix III to this Prospectus.

	RMB'000
Net book value of property interests of our Group as at 31 December 2015	127,270
Movement during the period from 1 January to 30 April 2016 (unaudited)	
Add: Additions	6,517
Less: Disposal	–
Less: Depreciation and amortisation	(910)
Net book value of property interests of our Group as at 30 April 2016 (unaudited)	132,877
Add: Valuation surplus	48,982
Valuation of properties as at 30 April 2016	181,859

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following information relating to our unaudited pro forma adjusted consolidated net tangible assets is for illustration purposes only, and is set out below to illustrate the effect of the Prospectus as if it had been taken place on 31 December 2015.

Because the following data is for illustration purposes, it may not give a true picture of our net tangible assets following the Prospectus. It is based on the consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2015 as shown in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below. This unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report as set forth in Appendix I to this Prospectus.

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2015 *RMB'000 (Note 1)*	**Estimated net proceeds from the Placing** *RMB'000 (Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company immediately after the completion of the Placing** *RMB'000*	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share as at 31 December 2015** *RMB (Note 3)*	*HK$ (Note 4)*
Based on the Placing Price of HK$0.36 per Placing Share	110,682	57,174	167,856	0.17	0.20
Based on the Placing Price of HK$0.60 per Placing Share	110,682	105,616	216,298	0.22	0.26

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2015 are based on audited consolidated net assets attributable to owners of the Company as at 31 December 2015 as set out in Appendix I to this Prospectus.

(2) The estimated net proceeds of the Placing are based on 250,000,000 Placing Shares and the Placing Price of HK$0.36 per Share or HK$0.60 per Share, after deduction of the underwriting commissions and related expenses payable by the Company. No account has been taken of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this Prospectus or otherwise.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue. It does not take into account any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this Prospectus or otherwise.

(4) For the purpose of the pro forma financial information, the exchange rate for RMB/HK$ is 1.1828.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there are no circumstances which would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that the impact of the listing expenses on our consolidated statement of profit or loss as disclosed in the section headed "Financial Information – Listing expenses" in this Prospectus above has resulted in a material adverse change in the financial or trading position or prospects of our Group.

Our Directors confirm that save as disclosed in the section headed "Financial Information – Listing Expenses" in this Prospectus, up to the Latest Practicable Date, there had been no material adverse change in our financial and trading position since 31 December 2015.

UNDERWRITERS

First Shanghai Securities Limited
First Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting agreement

Pursuant to the Underwriting Agreement, our Company is offering the Placing Shares for the subscription at the Placing Price by way of placing to professional, institutional or other investors. Subject to, among other matters, the Listing Division of the Stock Exchange granting listing of and permission to deal in the Shares and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the Shares to be allotted and issued under the Capitalisation Issue, and to the satisfaction of certain other conditions set out in the Underwriting Agreement, the Underwriters have agreed to subscribe and/or purchase and/or procure subscribers and/or purchasers for the Placing Shares, subject to the terms and conditions of the Underwriting Agreement.

Grounds for termination

The obligations of the Underwriters under the Underwriting Agreement to subscribe and/or procure subscribers for the subscription, the Placing Shares, are subject to termination by the Sponsor and/or First Shanghai Securities (for itself and on behalf of the Underwriters) in its/their sole and absolute discretion by giving notice of the Company if any of the following events occur at any case prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

(A) if it has come to the notice of the Sponsor and/or First Shanghai Securities:

(i) any matter or event showing any of the representations, warranties and undertakings contained in the Underwriting Agreement to be untrue, inaccurate, incomplete or misleading in any respect when given or repeated or there has been a breach of any of such representations, warranties and undertakings or any other provision of the Underwriting Agreement by any party to the Underwriting Agreement (other than the Underwriters) which, in any such cases, is material in the context of the Placing; or

(ii) any matter which, had it arisen immediately before the date of this Prospectus and not having been disclosed in this Prospectus, would have constituted a material omission in the context of the Placing; or

(iii) any statement contained in this Prospectus considered to be material by First Shanghai Securities in its absolute opinion which is discovered to be or becomes untrue, incorrect, incomplete or misleading; or

(iv) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, our executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement; or

(v) any breach by any party to the Underwriting Agreement other than the Underwriters of any provision of the Underwriting Agreement which is material; or

(vi) any adverse change or a prospective adverse change in the business, results of operational, financial or trading position, or prospects of our Group as a whole the effect of which is material and adverse as to make it impracticable or inadvisable to proceed with the Placing; or

(vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld; or

(viii) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in this Prospectus or to the issue of this Prospectus; or

(B) if there develops, occurs, exists or comes into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC or any relevant jurisdiction; or

(ii) any change (whether or not permanent) in local, national or international stock market conditions; or

(iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or other major stock exchanges in the PRC due to exceptional financial circumstances or otherwise; or

(iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI, the PRC or elsewhere; or

(v) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

(vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting Hong Kong, the Cayman Islands, the BVI, the PRC or elsewhere; or

(vii) a general moratorium on commercial banking business activities in Hong Kong, the PRC, the Cayman Islands, the BVI or elsewhere declared by the relevant authorities; or

(viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs; or

(ix) any litigation or claim of any third party being threatened or instigated against any member of our Group, our Directors and/or our Controlling Shareholders; or

(x) any change or development involving a prospective change, or materialisation of, any of the risks set out in the section headed "Risk Factors" in this Prospectus; or

(xi) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, the Cayman Islands, the BVI or the PRC; or

(xii) any imposition of economic or other sanctions, in whatever form, directly or indirectly, by or to Hong Kong or the PRC; or

(xiii) a petition is presented for the winding up or liquidation of any member of our Group, or any member of our Group making any compromise or arrangement with our Company's or such members' creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xiv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which such member of our Group is liable prior to its stated maturity, or any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xv) a breach of any of the representations, warranties and undertakings contained in the Underwriting Agreement or of any of the other obligations imposed upon or undertakings given by our Company under the Underwriting Agreement;

which, individually or in the aggregate, in the absolute opinion of the Sponsor and/or First Shanghai Securities:

(a) is or will or is likely to be materially adverse to the business, financial condition or prospects of our Company and/or our Group; or

(b) has or will have or is likely to have a material adverse effect on the success of the Placing; or

(c) makes or will make or is likely to make it inappropriate, inadvisable or inexpedient to proceed with the Placing.

Non-disposal undertakings

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to our Company, the Underwriters and the Sponsor that save as provided in Rule 13.18 of the GEM Listing Rules, he/she/it shall not and shall procure that the relevant registered holder(s) of Shares shall not:

(a) in the period commencing on the date of this Prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**") dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this Prospectus to be the beneficial owner (the "**Relevant Securities**"); or

(b) in the period of six months commencing on the date on which the period referred to in (a) above expires (the "**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would, either individually or taken together with the others of them, cease to be a Controlling Shareholder.

The restrictions in (a) shall not apply to any Shares which our Controlling Shareholders or any of his/her/its close associates may acquire or become interested in following the Listing Date.

Notwithstanding the above, nothing shall prevent the disposal of any interest of our Controlling Shareholders in the Relevant Securities (i) pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan, (ii) pursuant to a power of sale under the pledge or charge (granted pursuant to sub-paragraph (i)), (iii) on the death of our Controlling Shareholder or (iv) in any other exceptional circumstances to which the Stock Exchange has given its prior approval.

Each of our Controlling Shareholders has also undertaken to our Company, the Underwriters and the Sponsor to comply with the following requirements:

(i) in the event of any such sale, transfer or disposal of the Relevant Securities or any such interest referred to above, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares;

(ii) in the event that any of our Controlling Shareholders pledges or charges any direct or indirect interest in the Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the expiry of the Second Six-Month Period, he/she/it must immediately inform our Company, the Sponsor and the Underwriters in writing of such pledge or charge, the number of the Relevant Securities so being pledged or charged and other details as required under Rules 17.43(1) to (4) of the GEM Listing Rules; and

(iii) having pledged or charged any interest in the Relevant Securities, if and when he/she/it becomes aware that any pledgee or chargee thereof has disposed of or intends to dispose of such interest in the Relevant Securities, he/she/it must immediately inform our Company, the Sponsor and the Underwriters in writing of such disposal or such intention of disposal and of the number of the Relevant Securities affected.

Our Company will inform the Stock Exchange as soon as it has been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Our Company has irrevocably and unconditionally undertaken to and covenanted with the Sponsor and the Underwriters, and our Executive Directors have irrevocably and unconditionally and jointly and severally undertaken to and covenanted with the Sponsor and the Underwriters to procure that, save with the prior written consent of the Sponsor and the Underwriters, (such consent not to be unreasonably withheld or delayed) or save for Shares issued pursuant to the Placing and the Capitalisation Issue and the exercise of any options

that may be granted under the Share Option Scheme, and in compliance with the GEM Listing Rules and the applicable laws, neither our Company nor any of our subsidiaries from time to time shall (a) allot or issue or agree to allot or issue any shares or any other securities in our Company or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise acquire, any shares or securities of our Company or any of our subsidiaries from time to time during the First Six-Month Period; or (b) issue any share or securities in our Company or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such shares or securities during the Second Six-Month Period so as to result in any of our Controlling Shareholders ceasing to be a controlling shareholder (which has the meaning ascribed to it under the GEM Listing Rules) of our Company or our Company ceasing to hold a controlling interest in any major subsidiary (which shall have the same meaning as in Rule 17.27(2) of the GEM Listing Rules) of our Group; or (c) during the First Six-Month Period purchase any Shares or any other securities of our Company; or (d) offer to or agree to do any of the foregoing or announce any intention to do so.

Commission and expenses

The Underwriters will receive a commission of 3.5% on the aggregate Placing Price of all the Placing Shares now being offered, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. The underwriting commission was determined between our Company and the Underwriters after arm's length negotiations with reference to current market conditions. In addition, our Company will pay First Shanghai Securities an additional management fee at an amount of HK$200,000. The Sponsor will receive a sponsorship fee. The underwriting commission, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Placing are estimated to be approximately HK$31.9 million (calculated based on the mid-point of the indicative Placing Price range of HK$0.36 per Placing Share to HK$0.60 per Placing Share as stated in this Prospectus), which will be borne by our Company.

Underwriters' interests in our Company

Save for its interests and obligation under the Underwriting Agreement and save as disclosed in this Prospectus, none of the Underwriters or any of its close associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

Compliance Adviser's agreement

Under a compliance adviser's agreement dated 28 August 2015 and made between First Shanghai Capital Limited and our Company (the "**Compliance Adviser's Agreement**"), our Company appoints First Shanghai Capital Limited and First Shanghai Capital Limited agrees to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a fee from the Listing Date and ending on the date on which our Company complies

with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

Sponsor's interest in our Company

Save for the advisory fee to be paid the Sponsor, its obligations under the Underwriting Agreement and the Compliance Adviser's Agreement, its acting as compliance adviser and interests in securities that may be subscribed for pursuant to the Placing, neither the Sponsor nor any of its close associates has or may, as a result of the Placing, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of the Sponsor who is involved in providing advice to our Company has or may, as a result of the Placing, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of the Sponsor has a directorship in our Company or any other company in our Group.

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

PLACING PRICE

The Placing Price will not be more than HK$0.60 per Placing Share and is expected to be not less than HK$0.36 per Placing Share unless otherwise announced.

Based on the maximum Placing Price of HK$0.60 per Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, investors shall pay a total of HK$4,848.37 for each board lot of 8,000 Shares. The level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.goldenclassicbio.com** on or before 9:00 a.m. on Thursday, 7 July 2016.

BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and Shareholders as a whole. In particular, the Placing Shares will be allocated in accordance with Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

Save with the prior written consent of the Stock Exchange, no allocation will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

THE PLACING

The Placing of 250,000,000 Placing Shares is conditionally offered by our Company by way of private placements to professional, institutional or other investors. The Placing Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue. The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

(a) Listing

The Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme or the general mandate to issue Shares referred to in Appendix V to this Prospectus;

(b) Price Determination Agreement

The Price Determination Agreement being entered into between our Company and First Shanghai Securities (for itself and on behalf of the Underwriters) on or before the Price Determination Date; and

(c) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Details of the Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed "Underwriting" in this Prospectus.

If the conditions referred to above are not fulfilled prior to the times and dates specified, the Placing will lapse and the subscription or purchase money will be returned to the placees or the Underwriters, without interest.

DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be determined by the Price Determination Agreement on or about Tuesday, 5 July 2016 after taking into account, among other factors, the interest expressed by the prospective investors in the Placing. If First Shanghai Securities (for itself and on behalf of the Underwriters) and our Company are unable to agree on the Placing Price by the Price Determination Date (or such later date as may be agreed between First Shanghai Securities (for itself and on behalf of the Underwriters) and our Company), the Placing will not become unconditional and will lapse.

The Placing Price will not be more than HK$0.60 per Placing Share and is expected to be not less than HK$0.36 per Placing Share unless otherwise announced.

Our Company expects to announce the Placing Price and the level of indication of interest in the Placing on our Company's website at **www.goldenclassicbio.com** and the website of the Stock Exchange at **www.hkexnews.hk** on Thursday, 7 July 2016. If there is any change in the Price Determination Date, our Company will publish an announcement on such websites regarding such change as soon as practicable.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 8 July 2016. The shares will be traded in board lots of 8,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this Prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

The following is the text of a report prepared by the Company's reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

30 June 2016

The Board of Directors
China Golden Classic Group Limited
Flat B, 19/F
Times Media Centre
133 Wan Chai Road
Wan Chai, Hong Kong

First Shanghai Capital Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "**Financial Information**") regarding China Golden Classic Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the years ended 31 December 2013, 2014 and 2015 (the "**Relevant Period**") for inclusion in the prospectus of the Company dated 30 June 2016 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company, principally engaged in investment holding, was incorporated in the Cayman Islands on 29 July 2015 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "**Reorganisation**") as detailed in the section headed "History, Development and Reorganisation", which was completed on 25 August 2015, the Company became the holding company of the companies now comprising the Group, details of which are set out below. The Company has not carried on any business since the date of its incorporation.

During the Relevant Period and up to the date of this report, the particulars of the Company's subsidiaries are set out as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Group				Portion of voting power held by the Group				Principal activities
				31 December 2013	31 December 2014	31 December 2015	At the date of this report	31 December 2013	31 December 2014	31 December 2015	At the date of this report	
Direct subsidiaries												
SL Far East Investments Limited ("SL Far East")	British Virgin Islands ("BVI") 9 March 2010	Ordinary	Issued and fully paid share capital USD1,000	100%	100%	100%	100%	100%	100%	100%	100%	Investment holding
Snow Leopard Technology (Holding Group) Ltd ("Snow Leopard Technology")	BVI 5 August 2004	Ordinary	Issued and fully paid share capital USD1,000	100%	100%	100%	100%	100%	100%	100%	100%	Investment holding
Golden Maxim Limited ("Golden Maxim")	BVI 1 July 2015	Ordinary	Issued and fully paid share capital USD1,000	N/A	N/A	100%	100%	N/A	N/A	100%	100%	Investment holding
Indirect subsidiaries												
FE Golden Classic Dentists International Limited ("FE Golden Classic")	Hong Kong 14 April 2010	Ordinary	Issued and fully paid share capital HK$1,000	100%	100%	100%	100%	100%	100%	100%	100%	Investment holding
江蘇雪豹日化有限公司 Jiangsu Snow Leopard Daily Chemical Co. Limited* ("Jiangsu Snow Leopard")	People's Republic of China ("PRC") 13 March 2002	Paid-in capital	Registered capital RMB15,680,000	100%	100%	100%	100%	100%	100%	100%	100%	Manufacture and trading of oral care, leather care and household hygiene products

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Group				Portion of voting power held by the Group				Principal activities
				31 December 2013	31 December 2014	31 December 2015	At the date of this report	31 December 2013	31 December 2014	31 December 2015	At the date of this report	
Direct subsidiaries												
上海雪豹日用化學有限公司 Shanghai Snow Leopard Daily Chemical Co. Limited* ("Shanghai Snow Leopard")	PRC 15 October 1998	Paid-in capital	Registered capital RMB1,000,000	100%	100%	100%	100%	100%	100%	100%	100%	Trading of oral care, leather care and household hygiene products
Larento International (Development) Co., Limited ("Larento International (Development)")	Hong Kong 12 August 2015	Ordinary	Issued and fully paid share capital HK$1	N/A	N/A	100%	100%	N/A	N/A	100%	100%	Investment holding
上海牙博士日用品有限公司 Shanghai Yaboshi Daily Products Company Limited* ("Shanghai Yaboshi")	PRC 17 May 2005 (Deregistered on 13 October 2015)	Paid-in capital	Registered capital RMB500,000	50%	50%	N/A	N/A	50%	50%	N/A	N/A	Inactive

The Company and all the companies now comprising the Group have adopted 31 December as their financial year end date.

As at the date of this report, no statutory financial statements have been prepared for the Company, SL Far East, Snow Leopard Technology and Golden Maxim since their respective dates of incorporation as there are no statutory requirements under the relevant rules and regulations in their jurisdictions of incorporation. As at the date of this report, no statutory financial statements have been prepared for Larento International (Development) as they are not yet due for issuance. For the purposes of this report, we have, however, reviewed all the relevant transactions of the Company, SL Far East, Snow Leopard Technology, Golden Maxim and Larento International (Development) from 1 January 2013 or the respective dates of incorporation, whichever is later, to the date of this report and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in the Financial Information.

The statutory audited financial statements of FE Golden Classic for the years ended 31 December 2013 and 2014 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by TANDEM (HK) CPA Limited, certified public accountants. As at the date of this report, no statutory financial statements have been prepared for FE Golden Classic for the year ended 31 December 2015 as they are not yet due for issuance. We have, however, reviewed all the relevant transactions of FE Golden Classic for the year ended 31 December 2015 and carried out such procedures as we considered necessary for inclusion of the financial information in the Financial Information.

The statutory financial statements of Jiangsu Snow Leopard and Shanghai Snow Leopard for the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by Jiangyin HongQiao Certified Public Accountants Co., Ltd*（江陰虹橋會計師事務所有限公司）, certified public accountants registered in the PRC.

The statutory financial statements of Shanghai Yaboshi for the years ended 31 December 2013 and 2014 had not yet been prepared as it had ceased operation since the year ended 31 December 2010 and completed the deregistration process on 13 October 2015. For the purpose of this report, we have, however, reviewed all the relevant transactions of Shanghai Yaboshi from 1 January 2013 to 13 October 2015 (date of deregistration) and carried out such procedures as we considered necessary for inclusion of the financial information of Shanghai Yaboshi in the Financial Information. Shanghai Yaboshi is a subsidiary of the Group as the Group controls the majority of the board of directors of Shanghai Yaboshi.

* *The English name is the translation of its Chinese name and included herein for identification purpose only*

BASIS FOR PREPARATION

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken independent audits on the Underlying Financial Statements for each of the three years ended 31 December 2013, 2014 and 2015 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANT

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information and to report our opinion thereon to you. We have also examined the Underlying Financial Statements and carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

OPINION

In our opinion, for the purpose of this report, and on the basis of preparation set out in note 1 of Section A below, the Financial Information gives a true and fair view of the financial position of the Group as at 31 December 2013, 2014 and 2015 and of the Company as at 31 December 2015 and of the Group's financial performance and cash flows for the Relevant Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December		
		2013	**2014**	**2015**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*7*	198,497	222,268	283,101
Cost of sales		(119,381)	(131,772)	(154,350)
Gross profit		79,116	90,496	128,751
Other income	*8*	1,157	1,414	1,407
Selling and distribution costs		(33,123)	(39,408)	(58,741)
Administrative expenses		(31,639)	(30,703)	(36,156)
Finance costs	*9*	(2,231)	(1,544)	(2,061)
Profit before tax		13,280	20,255	33,200
Income tax expenses	*10*	(2,239)	(3,107)	(5,041)
Profit for the year	*11*	11,041	17,148	28,159
Other comprehensive expense for the year				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations		493	(99)	(983)
Total comprehensive income for the year attributable to owners of the Company		11,534	17,049	27,176

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	The Group As at 31 December 2013 RMB'000	The Group As at 31 December 2014 RMB'000	The Group As at 31 December 2015 RMB'000	The Company As at 31 December 2015 RMB'000
Non-current assets					
Property, plant and equipment	*15*	57,842	101,872	125,247	–
Prepaid lease payments	*16*	20,263	19,814	19,365	–
Intangible assets	*17*	496	339	199	–
Deposits paid for acquisition of property, plant and equipment		1,490	2,505	3,857	–
Investment in subsidiaries	*26*	–	–	–	100,742
Deferred tax assets	*24*	1,149	1,680	1,654	–
		81,240	126,210	150,322	100,742
Current assets					
Inventories	*18*	25,248	28,827	22,816	–
Trade and other receivables	*19*	39,215	38,202	45,090	–
Prepaid lease payments	*16*	449	449	449	–
Bank balances and cash	*20*	22,483	24,618	25,344	–
		87,395	92,096	93,699	–
Current liabilities					
Trade and other payables	*21*	55,586	79,139	86,010	44
Amount due to a shareholder	*22*	1,619	1,623	1,959	67
Amounts due to related parties	*22*	12,322	12,419	13,047	–
Income tax payables		1,452	2,420	2,124	–
Bank borrowings	*23*	31,000	39,000	30,000	–
		101,979	134,601	133,140	111
Net current liabilities		(14,584)	(42,505)	(39,441)	(111)
		66,656	83,705	110,881	100,631
Capital and reserves					
Share capital	*25*	15	15	–	–
Reserves	*25*	66,641	83,690	110,881	100,631
		66,656	83,705	110,881	100,631

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	PRC statutory reserve	Translation reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	15	–	20,940	3,572	30,595	55,122
Profit for the year	–	–	–	–	11,041	11,041
Other comprehensive income for the year:						
Exchange difference arising on translation of foreign operations	–	–	–	493	–	493
Total comprehensive income for the year	–	–	–	493	11,041	11,534
Transfer to statutory reserve	–	–	3,904	–	(3,904)	–
At 31 December 2013 and 1 January 2014	15	–	24,844	4,065	37,732	66,656
Profit for the year	–	–	–	–	17,148	17,148
Other comprehensive income for the year:						
Exchange difference arising on translation of foreign operations	–	–	–	(99)	–	(99)
Total comprehensive (expense) income for the year	–	–	–	(99)	17,148	17,049
Transfer to statutory reserve	–	–	5,215	–	(5,215)	–
At 31 December 2014 and 1 January 2015	15	–	30,059	3,966	49,665	83,705
Profit for the year	–	–	–	–	28,159	28,159
Other comprehensive expense for the year:						
Exchange difference arising on translation of foreign operations	–	–	–	(983)	–	(983)
Total comprehensive (expense) income for the year	–	–	–	(983)	28,159	27,176
Issue of shares *(note 25)*	–	–	–	–	–	–
Reorganisation	(15)	15	–	–	–	–
Transfer to statutory reserve	–	–	8,114	–	(8,114)	–
At 31 December 2015	–	15	38,173	2,983	69,710	110,881

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax	13,280	20,255	33,200
Adjustments for:			
Depreciation for property, plant and equipment	5,767	6,164	5,690
Amortisation of intangible assets	167	157	140
Amortisation of prepaid lease payments	449	449	449
Finance costs	2,231	1,544	2,061
Loss (gain) on disposal of property, plant and equipment	1,216	(49)	26
Bank interest income	(44)	(25)	(79)
Write-down of inventories	1,000	–	–
Impairment loss of trade receivables	2,459	2,947	148
Impairment loss of other receivables	–	298	181
Impairment loss of prepayments	–	29	–
Government grants	(126)	(340)	(205)
Operating cash flows before changes in working capital	26,399	31,429	41,611
Decrease (increase) in inventories	1,175	(3,579)	6,011
Decrease (increase) in trade and other receivables	6,994	(11,107)	(8,327)
(Decrease) increase in trade and other payables	(6,184)	13,854	(342)
Cash generated from operations	28,384	30,597	38,953
Income taxes paid	(3,343)	(2,670)	(5,311)
NET CASH GENERATED FROM OPERATING ACTIVITIES	25,041	27,927	33,642
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(4,963)	(39,972)	(19,760)
Deposit for acquisition of property, plant and equipment	(366)	(1,567)	(3,375)
Proceeds from disposal of property, plant and equipment	289	78	19
(Advanced to) repayment from independent third parties (note 19)	(9,388)	8,846	1,110
Interest received	44	25	79
NET CASH USED IN INVESTING ACTIVITIES	(14,384)	(32,590)	(21,927)

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
FINANCING ACTIVITIES			
Bank borrowings raised	122,500	39,000	30,500
Repayment of bank borrowings	(124,000)	(31,000)	(39,500)
Interests paid	(2,231)	(1,544)	(2,061)
Advanced from (repayment to) a shareholder	1,553	(91)	260
Repayment to independent third parties	–	–	(114)
(Repayment to) advanced from related parties	(2,212)	97	(280)
Government grants received	126	340	205
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(4,264)	6,802	(10,990)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,393	2,139	725
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16,088	22,483	24,618
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2	(4)	1
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	22,483	24,618	25,344

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL AND BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

General

The Company was incorporated in the Cayman Islands on 29 July 2015 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office and the principal place of business of the Company is Flat B, 19/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong. The Company is engaged in investment holding during the year. The principal activities of its subsidiaries are the manufacture and trading of oral care, leather care and household hygiene products.

The functional currency of the Company is HK$. The functional currency of the Group's principal subsidiaries is RMB. As the Group mainly operates in the PRC, the directors of the Company consider that it is appropriate to present the Financial Information in Renminbi ("RMB").

Basis of preparation and presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 25 August 2015. The Group has been under the control of Ms. Li Qiuyan ("Ms. Li") (the "Controlling Shareholder") throughout the Relevant Period or since their respective dates of incorporation or establishment and up to date of this report. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group throughout the Relevant Period, using the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA as set out in note 3 below.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows included the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Period. The consolidated statements of financial position of the Group as at 31 December 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as the current group structure had been in existence as at those dates.

As at 31 December 2015, the Group had net current liabilities of approximately RMB39,441,000.

In preparing the Financial Information, the directors of the Company have given careful consideration to the future liquidity of the Group for the twelve months from the end of the reporting period.

In the opinion of the directors of the Company, the Group will have sufficient working capital for the twelve months after the end of the reporting period taking into account the profitable operations of the Group, positive operating cash inflows and the available banking facilities of RMB50,000,000 that will not be expiring within one year after 31 December 2015.

Thus, the directors of the Company consider that it is appropriate to prepare the Financial Information on the going concern basis.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the Group has consistently adopted all the Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations issued by the HKICPA and the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) which are effective for the Group's financial year beginning on 1 January 2015.

The Company has not early applied the following new and revised HKASs, HKFRSs and amendments that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective date not yet been determined

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) ***Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 mainly to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented

in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 ***Revenue from Contracts with Customers***

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Annual Improvement to *HKFRSs 2012-2014 Cycle*

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Financial Information.

Amendments to HKAS 16 and HKAS 38 ***Clarification of Acceptance Methods of Depreciation and Amortisation***

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment and intangible assets, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance (Cap. 622).

The Financial Information has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Combination of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control and until the date when the Group ceases to control the subsidiary.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Financial Information includes the financial information items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been consolidated at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold buildings held for use in the production of goods or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress), less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land

The Group assesses the classification of leasehold land as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of leasehold land has been transferred to the Group.

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operation are translated into the presentation currency of the Company (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sales, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary difference between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represented the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, bank borrowings and amounts due to a shareholder and related parties, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating unites for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior period. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Cash and cash equivalents

Cash and short-term deposits in the consolidated statements of financial position comprise cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Retirement benefits costs

Payments to the PRC local government defined contribution retirement scheme pursuant to the relevant labour rules and regulations in the PRC and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Going concern basis

Although the Group had net current liabilities of RMB39,441,000 at 31 December 2015, the Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Group's liquidity requirements in the short and long term. Details of the factor that may cast doubt on the Group's ability to continue as a going concern and the measures taken are disclosed in note 1.

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in note 15, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets to the Group.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. When events or changes in circumstances indicate that the carrying amount may not be recoverable, management will estimate the future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss. As at 31 December 2013, 2014 and 2015, the carrying amounts of plant and equipment were approximately RMB57,842,000, RMB101,872,000 and RMB125,247,000. No impairment loss had been recognised during the Relevant Period.

Estimated allowance for inventories

The management of the Group reviews an ageing analysis of inventories at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, the costs necessary to make the sale and current market conditions. As at 31 December 2013, 2014

and 2015, the carrying amounts of inventories were approximately RMB25,248,000, RMB28,827,000 and RMB22,816,000, net of accumulated impairment loss of RMB3,300,000, RMB3,300,000 and RMB3,300,000 respectively.

Estimated impairment loss of trade and other receivables

When there is objective evidence of impairment loss of trade and other receivables, the Group takes into consideration the estimation of future cash flows of respective trade and other receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, 2014 and 2015, the carrying amount of the Group's trade and other receivables are approximately RMB39,215,000, RMB38,202,000 and RMB45,090,000, net of accumulated impairment loss of RMB4,122,000, RMB7,396,000 and RMB3,001,000 respectively. During the years ended 31 December 2013, 2014 and 2015, the impairment loss recognised for trade and other receivables are approximately, RMB2,459,000, RMB3,274,000 and RMB329,000 respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholder through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Relevant Period.

The capital structure of the Group consists of amounts due to a shareholder and related parties, bank borrowings, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure of the Group periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues. The directors of the Company will also consider the raise of additional borrowings as additional capital.

The directors of the Company also endeavor to ensure the steady and reliable cash flows from the normal business operation.

6. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	The Group As at 31 December			The Company As at 31 December
	2013	2014	2015	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including bank balances and cash)	54,130	55,899	64,095	–
Financial liabilities				
Financial liabilities measured at amortised cost	83,489	119,249	119,233	111

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amounts due to a shareholder and related parties and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, market risk (interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2013, 2014 and 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

As at 31 December 2013, the Group has concentration of credit risk as 11% and 35% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. As at 31 December 2014, the Group has concentration of credit risk as 10% and 34% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. As at 31 December 2015, the Group has concentration of credit risk as 9% and 29% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 99%, 100% and 100% of the total trade receivables as at 31 December 2013, 2014 and 2015 respectively.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies.

Market risk

Interest rate risk

As at 31 December 2013, 2014 and 2015, the Group was exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 20 and 23 for details). It is the Group's policy to keep its bank deposits and balances at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB base deposit/lending rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank balances and bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For variable-rate bank balances and borrowings, if the interest rates had been 200 basis points higher/lower and all other variables were held constant which was considered reasonably possible at the end of the respective reporting period, the Group's profit after tax profits for the years ended 31 December 2013, 2014 and 2015 would decrease/increase by approximately RMB145,000, RMB244,000 and RMB40,000 respectively.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including cash, current working capital and the raising of funds. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term.

As at 31 December 2013, 2014 and 2015, the Group had net current liabilities of RMB14,584,000, RMB42,505,000 and RMB39,441,000 respectively which exposed it to liquidity risk. In the management of the liquidity risk, the Group obtains financing deemed adequate by the management to finance its operations. The factors that may cast doubt on the Group's ability to continue as a going concern and the measures taken are set out in note 1.

As at 31 December 2013, 2014 and 2015, the Group's and the Company's remaining contractual maturities for their non-derivative financial liabilities, based on undiscounted cash flows of financial liabilities on the earliest date on which the Group or the Company can be required to pay, are within one year or repayable on demand.

(c) Fair values of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short-term maturities.

7. TURNOVER AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

1) Oral care products segment reports manufacture and sales of oral care products.

2) Leather care products segment reports manufacture and sales of leather care products.

3) Household hygiene products segment reports manufacture and sales of household hygiene products.

4) Others segment reports manufacture and sales of other products.

Segment revenue and results

Segment turnover represents revenue derived from the sales of oral care, leather care, household hygiene products.

The followings are analysis of the Group's revenue and results by reportable and operating segments:

	Oral care products *RMB'000*	Leather care products *RMB'000*	Household hygiene products *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2013					
Segment revenue	69,129	62,684	64,472	2,212	198,497
Segment profit	29,523	22,037	25,964	1,592	79,116
Unallocated income					1,157
Unallocated expenses					(64,762)
Finance costs					(2,231)
Consolidated profit before tax					13,280
For the year ended 31 December 2014					
Segment revenue	91,556	54,857	72,546	3,309	222,268
Segment profit	40,599	17,129	30,831	1,937	90,496
Unallocated income					1,414
Unallocated expenses					(70,111)
Finance costs					(1,544)
Consolidated profit before tax					20,255
For the year ended 31 December 2015					
Segment revenue	138,915	56,953	85,526	1,707	283,101
Segment profit	71,701	21,137	35,050	863	128,751
Unallocated income					1,407
Unallocated expenses					(94,897)
Finance costs					(2,061)
Consolidated profit before tax					33,200

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of selling and distribution expenses, certain administrative expenses, other income and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
SEGMENT ASSETS			
Jointly-shared by sales of oral care products, leather care products and household hygiene products	144,336	190,551	215,169
Unallocated	24,299	27,755	28,852
Total assets	168,635	218,306	244,021
SEGMENT LIABILITIES			
Jointly-shared by sales of oral care products, leather care products and household hygiene products	55,586	79,139	85,542
Unallocated	46,393	55,462	47,598
Total liabilities	101,979	134,601	133,140

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, deferred tax assets and certain other receivables and prepayments as these assets are managed on a group basis and;

- all liabilities are allocated to operating segments other than amounts due to a shareholder and related parties, income tax payables, certain other payables and bank borrowings as these liabilities are managed on a group basis.

The Group's CODM is of the view that the Group's principal assets and liabilities are jointly used and shared by oral care products, leather care products and household hygiene products.

Other segment information

	Jointly-shared by oral care products, leather care products and household hygiene products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Year ended 31 December 2013			
Depreciation of property, plant and equipment	5,645	122	5,767
Amortisation of intangible assets	167	–	167
Amortisation of prepaid lease payments	449	–	449
Additions to non-current assets	5,392	7	5,399
Impairment of trade receivables	2,459	–	2,459
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segments assets			
Write-down of inventories	1,000	–	1,000
Rental income from properties	(580)	–	(580)
Gain or loss on disposal of property, plant and equipment	1,216	–	1,216
Bank interest income	–	(44)	(44)
Government grants	–	(126)	(126)
Finance costs	–	2,231	2,231
Year ended 31 December 2014			
Depreciation of property, plant and equipment	6,038	126	6,164
Amortisation of intangible assets	157	–	157
Amortisation of prepaid lease payments	449	–	449
Additions to non-current assets	51,235	3	51,238
Impairment loss of trade receivables	2,947	–	2,947
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segments assets			
Impairment loss of other receivables	298	–	298
Impairment loss of prepayments	29	–	29
Rental income from properties	(580)	–	(580)
Gain or loss on disposal of property, plant and equipment	(49)	–	(49)
Bank interest income	–	(25)	(25)
Government grants	–	(340)	(340)
Finance costs	–	1,544	1,544
Year ended 31 December 2015			
Depreciation of property, plant and equipment	5,440	250	5,690
Amortisation of intangible assets	140	–	140
Amortisation of prepaid lease payments	449	–	449
Additions to non-current assets	30,459	3	30,462
Impairment loss of trade receivables	148	–	148

	Jointly-shared by oral care products, leather care products and household hygiene products	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segments assets			
Impairment loss of other receivables	181	–	181
Rental income from properties	(679)	–	(679)
Gain or loss on disposal of property, plant and equipment	26	–	26
Bank interest income	–	(79)	(79)
Government grants	–	(205)	(205)
Finance costs	–	2,061	2,061

Geographical information

The Group's operations are mainly located in the PRC – the country of domicile and all of its non-current assets, are located in the PRC.

Information about the Group's revenue from external customers is presented based on the location of customers.

	PRC	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers			
Year ended 31 December 2013	197,270	1,227	198,497
Year ended 31 December 2014	221,171	1,097	222,268
Year ended 31 December 2015	281,345	1,756	283,101

Information about major customer

None of the customer accounted for 10% or more of aggregate revenue of the Group during the Relevant Period.

Turnover from major products

The following is an analysis of the Group's turnover from its major products:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Functional toothpastes	55,771	79,331	120,719
Surface cleaner	33,081	46,803	73,451
Shoe polish	59,057	52,530	44,735
OEM	22,279	20,575	24,987
Others	28,309	23,029	19,209
	198,497	222,268	283,101

8. OTHER INCOME

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Rental income from properties*	580	580	679
Rental income from equipment	299	299	299
Bank interest income	44	25	79
Gain on disposal of property, plant and equipment	–	49	–
Government grants**	126	340	205
Others	108	121	145
	1,157	1,414	1,407

* No material outgoings had been incurred for the rental income.

** These government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development with no unfulfilled conditions.

9. FINANCE COSTS

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings	2,231	1,544	2,061

10. INCOME TAX EXPENSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
PRC Enterprise Income Tax	2,727	3,638	5,015
Deferred tax *(note 24)*	(488)	(531)	26
	2,239	3,107	5,041

(a) Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

(b) No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

(c) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries and the associate registered in PRC is 25% from 1 January 2008 onwards. The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

(d) One of the Group's subsidiaries registered in the PRC is recognised as a High and New-technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 15% for Relevant Period.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	13,280	20,255	33,200
Tax at the domestic income tax rate of 25%	3,320	5,064	8,300
Tax effect of preferential tax rate	(1,542)	(2,053)	(3,262)
Tax effect of expenses not deductible for tax purpose	903	309	142
Utilisation of tax losses previously not recognised	(253)	(26)	–
Additional deduction arising from research and development expenses	(189)	(187)	(139)
Income tax expenses for the year	2,239	3,107	5,041

Details of the deferred tax are set out in note 24.

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Listing expenses	3,282	585	7,592
Depreciation of property, plant and equipment	5,767	6,164	5,690
Amortisation of intangible assets	167	157	140
Amortisation of prepaid lease payments	449	449	449
Cost of inventories recognised as expenses*	119,381	131,772	137,728
Write-down of inventories (included in cost of sales)	1,000	–	–
Exchange losses, net	30	19	7
Research and development costs recognised as an expenses**	7,821	9,438	8,434
Loss on disposal of property, plant and equipment	1,216	–	26
Impairment loss of trade receivables	2,459	2,947	148
Impairment loss of other receivables	–	298	181
Impairment loss of prepayments	–	29	–
Operating lease rentals in respect of rented premises	274	473	2,156
Emoluments of directors and chief executive (note 14)	501	567	767
Other staff costs:			
Salaries and allowances	13,383	14,358	18,782
Contributions to retirement benefits scheme	1,704	1,771	2,796
Total staff costs	15,588	16,696	22,345

* Cost of inventories recognised as expenses for the years ended 31 December 2013, 2014 and 2015 included staff costs of RMB4,091,000, RMB4,700,000 and RMB5,015,000 respectively which had been included in the total staff costs disclosed above.

** Research and development costs recognised as an expenses for the years ended 31 December 2013, 2014 and 2015 included staff costs of RMB3,615,000, RMB4,054,000 and RMB3,916,000 respectively which had been included in the total staff costs disclosed above.

12. DIVIDEND

No dividend was paid or proposed during the Relevant Period.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Period as disclosed in note 1 above.

14. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

The emoluments paid or payable to the directors of the Company, which include the chief executive of the Group, were as follows:

	Year ended 31 December 2013		
	Salaries, allowances and benefits in kind	**Pension**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Ms. Li	292	7	299
Mr. Tong Xing	126	3	129
Ms. Du Yongwei	70	3	73
Total emoluments	488	13	501

	Year ended 31 December 2014		
	Salaries, allowances and benefits in kind	**Pension**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Ms. Li	282	8	290
Mr. Tong Xing	201	3	204
Ms. Du Yongwei	70	3	73
Total emoluments	553	14	567

	Year ended 31 December 2015		
	Salaries, allowances and benefits in kind	**Pension**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Ms. Li	467	7	474
Mr. Tong Xing	205	4	209
Ms. Du Yongwei	82	2	84
Total emoluments	754	13	767

Ms. Li is the chairman of the Group and her emoluments disclosed above include those for services rendered by her as chief executive.

Of the five individuals with the highest emoluments in the Group, one, two and one were directors (including and the chief executive) of the Company for the years ended 31 December 2013, 2014 and 2015 respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining four, three and four individuals for the years ended 31 December 2013, 2014 and 2015 were as follows:

	The Group Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances and other benefits	991	1,312	1,490
Contribution to retirement benefits scheme contributions	15	15	27
	1,006	1,327	1,517

Their emoluments fell within the band of nil to HK$1,000,000 (2013: equivalent to nil to RMB799,000, 2014: equivalent to nil to RMB793,000, 2015: equivalent to nil to RMB802,000) for the Relevant Period.

No emoluments were paid by the Group to any of the directors (including the chief executive) or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the Relevant Period.

No directors (including the chief executive) or the five highest paid individuals waived any emoluments in the Relevant Period.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor Vehicle	Plant and machinery	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2013	52,242	8,273	6,997	18,197	3,096	2,251	91,056
Additions	–	420	941	1,209	92	3,584	6,246
Reclassification upon completion	–	–	–	580	–	(580)	–
Disposals	–	–	(2,781)	(3,249)	(1,304)	–	(7,334)
At 31 December 2013 and 1 January 2014	52,242	8,693	5,157	16,737	1,884	5,255	89,968
Additions	–	–	539	986	163	48,535	50,223
Reclassification upon completion	–	–	–	2,166	–	(2,166)	–
Disposals	–	–	(288)	(144)	(20)	–	(452)
At 31 December 2014 and 1 January 2015	52,242	8,693	5,408	19,745	2,027	51,624	139,739
Additions	–	–	2,060	3,099	317	23,634	29,110
Disposals	–	–	(155)	(60)	(36)	–	(251)
At 31 December 2015	52,242	8,693	7,313	22,784	2,308	75,258	168,598
ACCUMULATED DEPRECIATION							
At 1 January 2013	11,594	4,188	4,544	9,404	2,458	–	32,188
Charge for the year	2,128	1,529	725	1,255	130	–	5,767
Eliminated on disposals	–	–	(2,572)	(2,106)	(1,151)	–	(5,829)
At 31 December 2013 and 1 January 2014	13,722	5,717	2,697	8,553	1,437	–	32,126
Charge for the year	2,280	1,190	725	1,769	200	–	6,164
Eliminated on disposals	–	–	(273)	(132)	(18)	–	(423)
At 31 December 2014 and 1 January 2015	16,002	6,907	3,149	10,190	1,619	–	37,867
Charge for the year	2,280	884	814	1,544	168	–	5,690
Eliminated on disposals	–	–	(149)	(30)	(27)	–	(206)
At 31 December 2015	18,282	7,791	3,814	11,704	1,760	–	43,351
CARRYING VALUES							
At 31 December 2013	38,520	2,976	2,460	8,184	447	5,255	57,842
At 31 December 2014	36,240	1,786	2,259	9,555	408	51,624	101,872
At 31 December 2015	33,960	902	3,499	11,080	548	75,258	125,247

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5% or over the lease term, whichever is shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Motor vehicle	20%
Plant and machinery	10%
Office equipment	20%

As at 31 December 2013, 2014 and 2015, the Group's buildings amounting to approximately RMB20,701,000, RMB19,499,000 and RMB18,389,000 respectively were pledged to secure banking facilities granted to the Group (note 23).

At 31 December 2013, 2014 and 2015, the Group has not obtained building ownership certificates for certain properties with a carrying amount of approximately RMB1,762,000, RMB1,753,000 and RMB1,743,000 respectively. In the opinion of the directors of the Company, the absence of formal titles to these properties does not impair their values to the Group as the Group has paid full consideration for acquiring the relevant properties and the probability of being evicted on the ground of an absence of formal title is remote.

16. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At 1 January 2013, 31 December 2013, 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	25,225
AMORTISATION	
At 1 January 2013	4,064
Amortisation for the year	449
At 31 December 2013 and 1 January 2014	4,513
Amortisation for the year	449
At 31 December 2014 and 1 January 2015	4,962
Amortisation for the year	449
At 31 December 2015	5,411
CARRYING VALUES	
At 31 December 2013	20,712
At 31 December 2014	20,263
At 31 December 2015	19,814

As at 31 December 2013, 2014 and 2015, the prepaid lease payments of the Group amounted to approximately RMB17,480,000, RMB17,040,000 and RMB6,874,000 respectively were pledged to secure banking facilities granted to the Group (note 23).

The carrying amount of prepaid lease payments of the Group analysed for reporting purposes as:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	449	449	449
Non-current assets	20,263	19,814	19,365
	20,712	20,263	19,814

The prepayments for land use rights in the PRC are amortised over 50 years on a straight-line basis.

17. INTANGIBLE ASSETS

	Trademarks
	RMB'000
COST	
At 1 January 2013, 31 December 2013 and 1 January 2014	1,046
Written off	(30)
At 31 December 2014, 1 January 2015 and 31 December 2015	1,016
AMORTISATION	
At 1 January 2013	383
Amortisation for the year	167
At 31 December 2013 and 1 January 2014	550
Amortisation for the year	157
Written off	(30)
At 31 December 2014 and 1 January 2015	677
Amortisation for the year	140
At 31 December 2015	817
CARRYING VALUES	
At 31 December 2013	496
At 31 December 2014	339
At 31 December 2015	199

The trademarks acquired by the Group are amortised over 5 years.

As at 31 December 2013, 2014 and 2015, the trademarks of the Group amounted to approximately RMB479,000, RMB339,000 and RMB199,000 respectively were pledged to secure banking facilities granted to the Group (note 23).

18. INVENTORIES

	As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	16,913	17,497	18,258
Work in progress	825	519	322
Finished goods	7,510	10,811	4,236
	25,248	28,827	22,816

19. TRADE AND OTHER RECEIVABLES

	The Group As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	21,670	35,118	39,787
Less: allowance for impairment of trade receivables	(3,850)	(6,797)	(2,221)
	17,820	28,321	37,566
Deposits and other receivables	2,708	985	501
Advances to independent third parties*	11,142	2,296	1,186
Less: allowance for impairment of deposits and other receivables	(23)	(321)	(502)
	13,827	2,960	1,185
Prepayments	7,817	7,050	6,617
Prepayments to related parties**	–	149	–
Less: allowance for impairment of prepayments	(249)	(278)	(278)
	7,568	6,921	6,339
	39,215	38,202	45,090

* The advances were interest-free, unsecured and repayable on demand.

** The amount represented trade prepayment to a company (the "Related Company") controlled by the son of Ms Li, a director of the Company, which is unsecured, interest-free and fully settled during the year ended 31 December 2015.

The Group does not hold any collateral over its trade receivables, deposits and other receivables.

The Group allows a credit period of 0 to 60 days to its trade customers. The following is an aged analysis of trade and bills receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period.

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	10,969	13,713	28,784
31 – 60 days	2,427	2,925	3,312
61 – 90 days	822	694	2,485
Over 3 months but less than 6 months	1,134	10,408	2,653
Over 6 months but less than 1 year	1,685	193	332
Over 1 year but less than 2 years	783	388	–
	17,820	28,321	37,566

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions would apply to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of these balances.

The following is an aged analysis of trade and bills receivables presented based on the due date at the end of the reporting period:

	The Group As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Not yet past due	10,058	10,760	31,488
0 – 30 days	3,708	6,011	1,696
31 – 60 days	852	2,253	701
61 – 90 days	706	181	1,050
Overdue 3 months to 6 months	434	8,536	2,298
Overdue 6 months to 1 year	1,618	192	333
Overdue 1 year to 2 years	444	388	–
	17,820	28,321	37,566

Trade and bills receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade and bills receivables balances are debtors with aggregate carrying amount of approximately RMB7,762,000, RMB17,561,000 and RMB6,078,000 as at 31 December 2013, 2014 and 2015 respectively which were past due at the end of the reporting period for which the Group has not provided for impairment loss. Receivables that were past due but not impaired related to a number of independent customers with no recent history of default.

Movement in the impairment on trade receivables:

	The Group As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	1,391	3,850	6,797
Impairment losses recognised	2,459	2,947	148
Written off as uncollectible	–	–	(4,724)
At 31 December	3,850	6,797	2,221

Included in the impairment on trade receivables are individually impaired trade receivables of RMB3,850,000, RMB6,797,000 and RMB2,221,000 as at 31 December 2013, 2014 and 2015 respectively since the directors of the Company considered the prolonged outstanding balances were uncollectible.

Movement in the impairment on other receivables:

	As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	23	23	321
Impairment losses recognised	–	298	181
At 31 December	23	321	502

Included in the impairment on other receivables are individually impaired other receivables of RMB23,000, RMB321,000 and RMB502,000 as at 31 December 2013, 2014 and 2015 respectively since the directors of the Company considered the prolonged outstanding balances were uncollectible.

Included in other receivables as at 31 December 2013, 2014 and 2015 were interest-free, unsecured advances to certain independent third parties of RMB11,142,000, RMB2,296,000 and RMB1,186,000 respectively that are repayable on demand.

Movement in the impairment on prepayments:

	As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	249	249	278
Impairment losses recognised	–	29	–
At 31 December	249	278	278

Included in the impairment on prepayments are individually impaired prepayments of RMB249,000, RMB278,000 and RMB278,000 as at 31 December 2013, 2014 and 2015 respectively since the directors of the Company considered the prolonged outstanding balances cannot be utilised or recovered.

20. BANK BALANCES AND CASH

Cash at banks carried interest at floating rates based on daily bank deposit rates for the Relevant Period.

21. TRADE AND OTHER PAYABLES

	The Group			The Company
	As at 31 December			As at 31 December
	2013	2014	2015	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	27,450	23,732	24,330	–
Receipts in advance	17,038	12,932	11,783	–
Accruals and other payables*	9,950	31,628	31,837	44
Advances from independent third party	990	990	876	–
Payables for property, plant and equipment	158	9,857	17,184	–
	55,586	79,139	86,010	44

* The amount is interest-free, unsecured and repayable on demand.

The following is an aged analysis of trade and bills payables presented based on the invoice date.

	The Group		
	As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 Days	12,981	14,935	11,049
31 – 60 Days	2,804	2,506	8,386
61 – 90 Days	2,705	1,344	2,998
Over 3 months but less than 6 months	4,847	1,557	1,438
Over 6 months but less than 1 year	512	275	293
Over 1 year but less than 2 years	516	179	122
Over 2 year but less than 5 years	3,085	2,936	44
	27,450	23,732	24,330

The average credit period on purchases of goods is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

22. AMOUNTS DUE TO A SHAREHOLDER AND RELATED PARTIES

The amounts are unsecured, interest-free and repayable on demand.

The amounts due to related parties are non-trade in nature and represented amount due to Lao Ren Tou (International) Limited ("Lao Ren Tou") (老人頭(國際)有限公司), a company beneficially owned by a close family member of Ms. Du Yongwei, a director of the Company, and the amount due to the spouse of Ms. Li, a director of the Company. However, Lao Ren Tou ceased to be a related party of the Group since October 2015 when the close family member of Ms. Du Yongwei ceased to be a shareholder of Lao Ren Tou. Following such change, the amount due to Lao Ren Tou of RMB280,000 was settled during the year ended 31 December 2015.

23. BANK BORROWINGS

	As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings, secured and repayable within one year	31,000	39,000	30,000

The Group obtained new loans for general working capital in the amount of RMB122,500,000, RMB39,000,000 and RMB30,500,000 during the years ended 31 December 2013, 2014 and 2015 respectively. As at 31 December 2013, 2014 and 31 December 2015, all interest-bearing borrowings carried interest at variable market interest rates, which are based on the People's Bank of China ("PBOC") lending rate plus a specific margin per annum as follows:

	As at 31 December		
	2013	2014	2015
Variable-rate borrowings	6.0% to 8.1%	6.6% to 8.1%	6.0% to 6.6%

As at 31 December 2013, 2014 and 2015, bank borrowings were secured by certain buildings, prepaid lease payments and trademarks in aggregate of RMB38,677,000, RMB36,878,000 and RMB25,462,000 respectively.

24. DEFERRED TAX

The following is the analysis of the Group's deferred tax assets for financial reporting purposes:

	Impairment of assets	Unrealised profits	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	582	79	661
Credited (charged) to profit or loss	518	(30)	488
At 31 December 2013 and 1 January 2014	1,100	49	1,149
Credited (charged) to profit or loss	540	(9)	531
At 31 December 2014 and 1 January 2015	1,640	40	1,680
Credited (charged) to profit or loss	3	(29)	(26)
At 31 December 2015	1,643	11	1,654

At 31 December 2013, 2014 and 2015, the aggregate amount of deductible impairment of assets amounted to RMB7,291,000, RMB10,813,000 and RMB10,833,000 respectively and the aggregate amount of unrealised profits amounted to RMB323,000, RMB268,000 and RMB73,000 respectively.

At 31 December 2013, 2014 and 2015, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries amounted to RMB48,590,000, RMB60,758,000 and RMB79,695,000 respectively and no deferred tax liability has been recognised in respect of these undistributed earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

25. CAPITAL AND RESERVES

(a) Share capital

The balances of share capital of the Group as at 1 January 2013, 31 December 2013, 1 January 2014, 31 December 2014 and 1 January 2015 represented aggregate share capital of SL Far East and Snow Leopard Technology.

SL Far East was incorporated in the BVI on 9 March 2010. As at the date of its incorporation, SL Far East had authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. 1,000 ordinary shares of USD1 each (in aggregate equivalent to approximately USD1,000) were issued at par on incorporation.

Snow Leopard Technology was incorporated in the BVI on 5 August 2004. As at the date of its incorporation, Snow Leopard Technology had authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. 1,000 ordinary shares of USD1 each (in aggregate equivalent to approximately USD1,000) were issued at par on incorporation.

Golden Maxim was incorporated in the BVI on 1 July 2015. As at the date of its incorporation, Golden Maxim had authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. 1,000 ordinary shares of USD1 each (in aggregate equivalent to approximately USD1,000), credited as nil paid, were issued at par on incorporation.

The Company was incorporated in the Cayman Islands on 29 July 2015. As at the date of its incorporation, the Company had authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. 10,000 ordinary shares were allotted and issued as nil paid on the date of incorporation of the Company. On 25 August 2015, 10,000 ordinary shares of the Company were issued for the acquisition of the entire issued capital of SL Far East, Snow Technology and Golden Maxim.

(b) Reserves

(i) Reserves of the Company

	Capital reserve *RMB'000*	**Translation reserve** *RMB'000*	**Accumulated loss** *RMB'000*	**Total** *RMB'000*
At 1 January 2013, 31 December 2013, 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–	–
Loss and total comprehensive expense for the year	–	(4)	(95)	(99)
Arising from the Reorganisation	100,730	–	–	100,730
At 31 December 2015	100,730	(4)	(95)	100,631

(ii) PRC statutory reserve

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of Jiangsu Snow Leopard and Shanghai Snow Leopard. Appropriations to the reserves were determined by the board of directors and can be used to offset accumulated losses and increase capital upon approval from the relevant government authorities.

(iii) Capital reserve

Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the Reorganisation.

26. SUBSIDIARIES

Particulars of the subsidiaries of the Company are set out in Introduction.

27. RETIREMENT BENEFIT SCHEMES

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of RMB1,717,000, RMB1,785,000 and RMB2,809,000 represent contributions payable to these schemes by the Group for the years ended 31 December 2013, 2014 and 2015.

28. CAPITAL COMMITMENTS

As at 31 December 2013, 2014 and 2015, the Group has the following capital commitments in respect of acquisition of property, plant and equipment:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for	50,640	21,675	22,420

29. LEASE COMMITMENT

The Group as lessee

At 31 December 2013, 2014 and 2015, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	255	53	194
In the second to fifth years inclusive	240	–	48
	495	53	242

Operating lease payment represents rental payable by the Group for certain of its office properties. Lease is negotiated for an original term of 1 to 2 years and rental is fixed over the lease terms.

The Group as lessor

The Group had contracted with tenants under operating lease arrangement, with leases negotiated for terms ranging from 1 to 3 years. At 31 December 2013, 2014 and 2015, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	821	79	650
In the second to fifth years inclusive	–	63	113
	821	142	763

30. RELATED PARTY DISCLOSURES

Save as disclosed elsewhere in the Financial Information, the Group has the following transactions with its related parties.

(a) During the Relevant Period, the Group was granted the right to use certain trademarks registered by a company controlled by the spouse of Ms. Du Yongwei, a director of the Company, at nil consideration.

(b) During the years ended 31 December 2013, 2014 and 2015, the Group rented an office premises from Ms. Li, a shareholder of the Company, with rental expenses of approximately RMB240,000, RMB360,000 and RMB360,000 respectively.

(c) During the years ended 31 December 2013, 2014 and 2015, the Group incurred advertising expenses to a company controlled by the spouse of Mr. Tong Xing a director of the Company, of approximately RMB240,000, RMB613,000 and RMB614,000 respectively.

(d) During the years ended 31 December 2013, 2014 and 2015, the Group made purchases from the Related Company of approximately RMB179,000, RMB206,000 and RMB500,000 respectively.

(e) During the years ended 31 December 2013, 2014 and 2015, the Group made sales to the Related Company of approximately nil, nil and RMB1,658,000 respectively.

(f) On 12 August 2015, the Group entered into certain agreements with Lao Ren Tou to acquire certain trademarks at nil consideration. As of the date of this report, the respective acquisition is still in progress and subject to the approval of the transfer of registered owner of these trademarks by the relevant PRC authority.

(g) Compensation of key management personnel

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Short term employee benefits	488	553	1,019
Post-employment benefits	13	14	25
	501	567	1,044

The remuneration of key management personnel is determined by the performance of individuals and market trends.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report prepared by the reporting accountant of the Company, SHINEWING (HK) CPA LIMITED, as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group (the "**Unaudited Pro Forma Net Tangible Assets**") prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited is for illustrative purposes only, and is set out below to illustrate the effect of the Placing on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 as if the Placing had taken place on 31 December 2015.

This Unaudited Pro Forma Net Tangible Assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2015 or at any future dates following the Placing. It is prepared based on the audited consolidated net tangible assets of the Group as at 31 December 2015 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 *RMB'000 (Note 1)*	**Estimated net proceeds from the Placing** *RMB'000 (Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Placing** *RMB'000*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 December 2015** *RMB (Note 3)*
Based on the Placing Price of HK$0.36 per Placing Share	110,682	57,174	167,856	0.17
Based on the Placing Price of HK$0.6 per Placing Share	110,682	105,616	216,298	0.22

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 has been extracted from the Accountants' Report as set out in Appendix I to this prospectus as below:

	At 31 December 2015 *RMB'000*
Net assets	110,881
Less: Intangible assets	(199)
	110,682

(2) The estimated net proceeds of the Placing are based on 250,000,000 Placing Shares and the respective Placing Price of HK$0.36 or HK$0.6 per Placing Share (being the low end and the high end of the indicators price range of the Placing Place), after deduction of the underwriting commission and other related expenses payable by the Company in relation to the Placing. The estimated net proceeds do not take into account any shares which may be allotted and issued upon the exercise of any options granted the Share Options Scheme as described in "Statutory and General Information – Share Option Scheme " in Appendix IV to this prospectus. For the purpose of the unaudited proforma financial information, the exchange rate for RMB/HK$ is 1.1828.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 1,000,000,000 Shares were in issue (including Shares in issue as at the date of this prospectus and those Shares are expected to be issued pursuant to the Placing and the Capitalisation Issue but not taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme).

(4) No adjustments have been made to the Unaudited Pro Forma Net Tangible Assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

30 June 2016

The Board of Directors
China Golden Classic Group Limited
Flat B, 19/F
Times Media Centre
133 Wan Chai Road
Wan Chai, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Golden Classic Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net tangible assets as at 31 December 2015 and related notes as set out on pages II-1 to II-2 of the prospectus in connection with the proposed placing (the "Placing") of 250,000,000 shares of HK$0.01 each of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in notes to the unaudited pro forma financial information.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Placing on the Group's financial position as at 31 December 2015 as if the Placing had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements as at 31 December 2015, on which an accountants' report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of the Placing on unadjusted financial information of the Group as if the Placing had been completed at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Placing at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, in connection with its valuation as at 30 April 2016 of the properties held by the Group.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

30 June 2016

The Board of Directors
China Golden Classic Group Limited
Flat B, 19/F
Times Media Centre
133 Wan Chai Road
Wan Chai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties held by China Golden Classic Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 April 2016 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests in Group I and portions of property interests in Group II, due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of

the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing portion of the property interests in Group II which was under construction as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Beijing DeHeng Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in July 2015 by Mr. Sifan Liu and Mr. Shawn Sheng and subsequent re-inspection was carried out in June 2016 by Mr. Bryan Yan. Mr. Sifan Liu has 9 years' experience and Mr. Shawn Sheng has 2 years' experience in the valuation of properties in the PRC. Mr. Bryan Yan is a probationer of the RICS and has 1 year's experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 30 April 2016 *RMB*
1.	Qiao Qi Plant located at No. 42 Zhongshan Road Qiaoqi Town Jiangyin City Jiangsu Province The PRC	No commercial value
2.	Cheng Jiang Plant located at East No. 44 Qi Shan Road Cloverleaf Junction Chengjiang Town Jiangyin City Jiangsu Province The PRC	8,792,000
3.	Xia Ke South Plant located at No. 34 Qiao Qi Ying Bin Avenue Xiake Town (also known as Xuxiake Town) Jiangyin City Jiangsu Province The PRC	64,652,000
	Sub-total:	**73,444,000**

Group II – Property interest held under development by the Group in the PRC

No.	Property	Market value in existing state as at 30 April 2016 *RMB*
4.	Xia Ke North Plant under construction located at No. 35 Qiao Qi Ying Bin Avenue Xiake Town (also known as Xuxiake Town) Jiangyin City Jiangsu Province The PRC	108,415,000
	Sub-total:	**108,415,000**
	Grand total:	**181,859,000**

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016 *RMB*
1.	Qiao Qi Plant located at No. 42 Zhongshan Road Qiaoqi Town Jiangyin City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 4,666 sq.m. and 9 buildings and various ancillary structures erected thereon which were completed in various stages between 1990 and 2008. The buildings have a total gross floor area of approximately 4,023.04 sq.m. The buildings mainly include office building, guard house, dormitory and industrial buildings. The structures mainly include roads and landscaped facilities. The land use rights of the property have been leased to the Group for a term expiring on 31 December 2016. *(see note 1)*	Except for portions of the property which were rented to an independent third party, the remaining portions of the property were occupied by the Group for industrial, office and ancillary purposes as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Land Use Rights Lease Agreement entered into between Jiangyin County Xia Yin Trading Co., Ltd. and Jiangsu Snow Leopard Daily Chemical Co., Ltd., ("Jiangsu Snow Leopard"), an indirect wholly-owned subsidiary of the Company, the land use rights of the property were leased to Jiangsu Snow Leopard for a term of 1 year expiring on 31 December 2016.

2. Pursuant to a Building Ownership Certificate – Fang Quan Zheng Cheng Zi Di No. qq0010354, 9 buildings with a total gross floor area of approximately 4,023.04 sq.m. are owned by Jiangsu Snow Leopard.

3. Pursuant to a Tenancy Agreement, portions of the property with a total gross floor area of approximately 500 sq.m. are rented to Jiangyin County Baowang Household Chemical Co., Ltd., an independent third party, for a term commencing from 1 January 2015 and expiring on 31 December 2018 at an annual rent of RMB30,000 for industrial use.

4. In the valuation of this property, we have attributed no commercial value to the property as the land use rights are leased nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures of the property (excluding the land) as at the valuation date would be RMB2,165,000 assuming all relevant proper title certificates had been obtained and the property could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a) There exists legal risk that the land leasing behavior and the land lease agreement will be considered to be invalid. However, the Group has the rights to ask for compensation from the landlord; and

   b) The relevant legal risk will not have material effect on the operation of the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016 *RMB*
2.	Cheng Jiang Plant located at East No. 44 Qi Shan Road Cloverleaf Junction Chengjiang Town Jiangyin City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 10,713.9 sq.m. and 16 buildings and various ancillary structures erected thereon which were completed in various stages between 1990 and 2010. The buildings have a total gross floor area of approximately 10,803.05 sq.m. The buildings mainly include office building, guard house, dormitory and industrial buildings. The structures mainly include garages, roads and landscaped facilities. The land use rights of the property have been granted for a term expiring on 8 May 2053 for industrial use.	The property was occupied by the Group for industrial, office and ancillary purposes as at the valuation date.	8,792,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Cheng Tu Guo Yong (2003) Zi Di No. 005411, the land use rights of a parcel of land with a site area of approximately 10,713.9 sq.m. have been granted to Jiangsu Snow Leopard Daily Chemical Co., Ltd., ("Jiangsu Snow Leopard"), an indirect wholly-owned subsidiary of the Company, for a term expiring on 8 May 2053 for industrial use.

2. Pursuant to a Building Ownership Certificate – Fang Quan Zheng Cheng Zi Di No. fjc0001105, 4 buildings with a total gross floor area of approximately 3,810.50 sq.m. are owned by Jiangsu Snow Leopard. However, pursuant to our site inspection and confirmed by Jiangsu Snow Leopard, a building with a gross floor area of approximately 396.58 sq.m. has been demolished.

3. In the valuation of this property, we have attributed no commercial value to 13 buildings with a total gross floor area of approximately 7,389.13 sq.m. which have not obtained Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be RMB6,998,000 assuming all relevant title certificates had been obtained and the buildings could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a) Jiangsu Snow Leopard has obtained the land use rights of the property and has rights to transfer the land use rights of the property;

   b) For the buildings mentioned in note 2, Jiangsu Snow Leopard is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of these buildings of the property;

   c) According to an official document – Cheng Wei Fa No. 03 issued by the CPC Jiangyin Municipal Committee dated 30 January 2012, the property is in the planned scope of demolition, which will be conducted in next 3 to 5 years. The 13 buildings mentioned in note 3 are in the aforesaid scope of demolition; and

   d) On 12 August 2015, the House Acquisition (Demolition) Center of Chengjiang Street of Jiangyin City (江陰市澄江街道房屋徵收(拆遷)中心) issued a letter of confirmation confirming that the 13 buildings located in the planned scope of demolition will be deemed as having proper property ownership and Jiangsu Snow Leopard will be indemnified upon demolition of the 13 buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016 *RMB*
3.	Xia Ke South Plant located at No. 34 Qiao Qi Ying Bin Avenue Xiake Town (also known as Xuxiake Town) Jiangyin City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 33,925.6 sq.m. and 8 buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2010. The buildings have a total gross floor area of approximately 34,994.29 sq.m. The buildings mainly include guard houses and industrial buildings. The structures mainly include landscaped facilities, boundary walls and roads. The land use rights of the property have been granted for a term expiring on 18 April 2054 for industrial use.	Except for portions of the property which were rented to various independent third parties, the remaining portions of the property were occupied by the Group for industrial and ancillary purposes as at the valuation date.	64,652,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Cheng Tu Guo Yong (2004) Zi Di No. 005830, the land use rights of a parcel of land with a site area of approximately 33,925.6 sq.m. have been granted to Jiangsu Snow Leopard Daily Chemical Co., Ltd., ("Jiangsu Snow Leopard"), an indirect wholly-owned subsidiary of the Company, for a term expiring on 18 April 2054 for industrial use.

2. Pursuant to 2 Building Ownership Certificates – Fang Quan Zheng Cheng Zi Di No. fqq0000458 and Cheng Fang Quan Zheng Jiang Yin Zi Di No. fqy0004858, 6 buildings with a total gross floor area of approximately 34,725.73 sq.m. are owned by Jiangsu Snow Leopard.

3. Pursuant to 2 Tenancy Agreements, portions of the property with a total gross floor area of approximately 10,300 sq.m. are rented to 2 independent third parties for terms expiring between 31 March 2017 and 31 December 2018 at an annual rent of RMB620,000 for industrial use.

4. In the valuation of this property, we have attributed no commercial value to 2 buildings with a total gross floor area of approximately 268.56 sq.m. which have not obtained relevant construction permits and Building Ownership Certificates. These 2 buildings are vacant/used for ancillary purposes by the Group. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be RMB232,000 assuming all relevant title certificates had been obtained and the buildings could be freely transferred.

5. Pursuant to a Mortgage Contract, the land use rights and the buildings of the property are subject to a mortgage in favour of Jiangyin Rural Commercial Bank Yaosai Branch ("the Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Jiangsu Snow Leopard for an amount of RMB30,000,000 with the security term from 21 May 2013 to 20 May 2016.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a) Jiangsu Snow Leopard has obtained the land use rights of the property and has rights to transfer the land use rights of the property;

   b) For the buildings mentioned in note 2, Jiangsu Snow Leopard is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the building ownership and the land use rights of the property subject to the consent from the mortgagee within the mortgage period; and

   c) For 2 buildings mentioned in note 4, there is legal risk that Jiangsu Snow Leopard may be subject to mandatory rectification and a fine due to lack of relevant construction permits and building ownership certificates. These buildings are vacant/used for ancillary purpose and the replacement place of such buildings can be easily found. The relevant legal risk will not have material effect on the operation of the Group.

VALUATION CERTIFICATE

Group II – Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016 *RMB*
4.	Xia Ke North Plant under construction located at No. 35 Qiao Qi Ying Bin Avenue Xiake Town (also known as Xuxiake Town) Jiangyin City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 49,259.8 sq.m. and 4 buildings and various ancillary structures ("CIP Part") which were being constructed thereon as at the valuation date. The development of the CIP Part is scheduled to be completed in the third quarter of 2016. Upon completion, the development will have a total gross floor area of approximately 29,819.30 sq.m. and the details are set out as following: **Usage** / **Planned Gross Floor Area** *(sq.m.)* Office 6,821.04 Workshop 22,998.26 **Total: 29,819.30** As advised by the Company, the total construction cost of the CIP Part is estimated to be approximately RMB56,817,729, of which RMB56,364,210 had been incurred as at the valuation date. Apart from the CIP buildings, the property also comprises 12 buildings and various ancillary structures ("Completed Part") with a total gross floor area of approximately 21,843.45 sq.m., which were on the same land parcel and were completed in various stages between March 2003 and October 2010. The buildings include industrial buildings, office buildings and ancillary buildings. The structures are mainly roads, boundary walls and bicycle sheds. The land use rights of the property have been granted for a term expiring on 3 July 2053 for industrial use.	As at the valuation date, except for portions of the Completed buildings which were rented to an independent third party, the remaining portions of the Completed buildings were occupied by the Group for industrial, office and ancillary purposes. The CIP buildings were under construction.	108,415,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Cheng Tu Guo Yong (2003) Zi Di No. 007574, the land use rights of a parcel of land with a site area of approximately 49,259.8 sq.m. have been granted to Jiangsu Snow Leopard Daily Chemical Co., Ltd., ("Jiangsu Snow Leopard"), an indirect wholly-owned subsidiary of the Company, for a term expiring on 3 July 2053 for industrial use.

2. Pursuant to a Construction Land Planning Permit – Bian Hao No. 2002702, permission towards the planning of a parcel of land with a site area of approximately 49,260 sq.m. has been granted to Jiangsu Snow Leopard.

3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 320281201300014 issued by Planning Bureau of Jiangyin County in favour of Jiangsu Snow Leopard, the construction works of the CIP Part with a total planned gross floor area of approximately 29,819.30 sq.m. have been approved.

4. Pursuant to a Construction Work Commencement Permit – Bian Hao No. 320281020130352 issued by Construction Bureau of Jiangyin County in favour of Jiangsu Snow Leopard, the commencement of the construction works of the CIP Part with a total gross floor area of approximately 29,819.3 sq.m. has been permitted.

5. Pursuant to 2 Building Ownership Certificates – Fang Quan Zheng Cheng Zi Di Nos. fqq0000548 and fqy0002567, 8 buildings of the Completed Part with a total gross floor area of approximately 20,233.16 sq.m. are owned by Jiangsu Snow Leopard.

6. Pursuant to a Tenancy Agreement, portions of the property with a total gross floor area of approximately 1,500 sq.m. are rented to Jiangyin County Xinya Paper Co., Ltd., an independent third party, for a term commencing from 1 August 2015 to 31 July 2016 at an annual rent of RMB180,000 for industrial use.

7. In the valuation of the property, we have attributed no commercial value to 4 buildings of the Completed Part with a total gross floor area of approximately 1,610.29 sq.m. which have not obtained relevant construction permits and Building Ownership Certificates. These 4 buildings are vacant/used for ancillary purpose by the Group. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be RMB1,318,000 assuming all relevant title certificates had been obtained and the building could be freely transferred.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a) Jiangsu Snow Leopard has obtained the land use rights of the property and has rights to transfer the land use rights of the property;

   b) For the buildings mentioned in note 5, Jiangsu Snow Leopard is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of these buildings of the property;

   c) For 4 buildings mentioned in note 7, there is legal risk that Jiangsu Snow Leopard may be subject to mandatory rectification and a fine due to lack of relevant construction permits and building ownership certificates. These buildings are vacant/used for ancillary purpose and the replacement place of such buildings can be easily found. The relevant legal risk will not have material effect on the operation of the Group; and

   d) Jiangsu Snow Leopard has obtained all the request construction approvals of the CIP Part of the property and has the rights to develop the property according to the permitted scope of these approvals.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 July 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 17 June 2016. A summary of certain provisions of the Articles is set out below.

2.1 Shares

2.1.1 Classes of shares

The share capital of the Company consists of ordinary shares.

2.1.2 Variation of rights of existing shares or classes of shares

Subject to Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting)

shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

2.1.3 Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

2.1.4 Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.1.5 Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

2.1.6 Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

2.1.7 Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the

Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

2.2.1 Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract

between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(a) resign;

(b) dies;

(c) is declared to be of unsound mind and the Board resolves that his office be vacated;

(d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(e) he is prohibited from being or ceases to be a director by operation of law;

(f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

2.2.2 Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return

of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.4 Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

2.2.5 Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their

dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

2.2.6 Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

2.2.7 Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

2.2.8 Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be

avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.2.9 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.4 Meetings of member

2.4.1 Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

2.4.2 Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(a) at least two members;

(b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.4.3 Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

2.4.4 Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

2.4.5 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

2.4.6 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.5 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.6 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

2.6.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

2.6.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

2.6.3 the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the

Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.7 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

2.9 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.9.1 if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu among such members in proportion to the amount paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.10 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 29 July 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

3.2.1 paying distributions or dividends to members;

3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;

3.2.3 any manner provided in section 37 of the Cayman Companies Law;

3.2.4 writing-off the preliminary expenses of the company; and

3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

3.10.2 no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(a) on or in respect of the shares, debentures or other obligations of the Company; or

(b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 11 August 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

3.15 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4 GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 July 2015. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 11 September 2015, and establishes a principal place of business in Hong Kong at Flat B, 19/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong. Ms. Chan Chak Kwan has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in "Appendix IV – Summary of the Constitution of our Company and Cayman Companies Law" to this Prospectus.

2. Changes in share capital of our Company

(a) As at the date of incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One Share was allotted and issued nil paid to the subscriber on 29 July 2015, which was subsequently transferred to ChongBo Mary on the same date.

(b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of SL Far East, Snow Leopard Technology and Golden Maxim from ChongBo Mary and Tong Xing Holding on 25 August 2015, (i) the 8,500 nil paid Shares held by ChongBo Mary and 1,500 nil paid Shares held by Tong Xing Holding were credited as fully paid, and (ii) 8,500 Shares and 1,500 Shares, all credited as fully paid, were allotted and issued to ChongBo Mary and Tong Xing Holding, respectively.

(c) On 17 June 2016, ChongBo Mary and Tong Xing Holding resolved to increase the authorised share capital of our Company from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.

(d) Immediately following completion of the Capitalisation Issue and the Placing, and taking no account of any Share to be issued upon exercise of any options which may be granted under the Share Option Scheme, 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 1,000,000,000 Shares will remain unissued.

(e) Other than pursuant to the general mandate to issue Shares referred to in the section headed "A. Further Information about our Company – 3. Written resolutions of our Shareholders passed on 17 June 2016" in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(f) Save as disclosed in this Prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 17 June 2016

On 17 June 2016, resolutions in writing were passed by our Shareholders pursuant to which, amongst others:

(a) our Company approved and adopted the Memorandum and the Articles;

(b) conditional on the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus (including any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise, in each case on or before the date falling 30 days after the date of the issue of this Prospectus:

(i) the Placing was approved and our Directors were authorised to allot and issue the New Shares pursuant to the Placing to rank pari passu with the then existing Shares in all respects;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed "D. Share Option Scheme" below in this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional further on the share premium account of our Company being credited as a result of the Placing, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK$7,499,800 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in

full at par 749,980,000 Shares for allotment and issue to the person(s) whose names appear on the register of members of our Company at the close of business on 16 June 2016 (or as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

(c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Placing, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with such number of Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Placing but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

(e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to such number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. The Reorganisation involved the following major steps:

(a) On 29 July 2015, our Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One nil paid Share was allotted and issued to the subscriber on 29 July 2015, which was subsequently transferred to ChongBo Mary on the same date, and 8,499 nil paid Shares and 1,500 nil paid Shares were allotted and issued to ChongBo Mary and Tong Xing Holding respectively on the same date.

(b) Golden Maxim was incorporated in the BVI with limited liability on 1 July 2015. On 29 July 2015, 850 and 150 fully paid shares of Golden Maxim were allotted and issued to ChongBo Mary and Tong Xing Holding respectively at par.

(c) Larento International (Development) was incorporated in Hong Kong with limited liability on 12 August 2015. 10,000 fully paid shares of Larento International (Development) were issued and allotted to Golden Maxim on the same date.

(d) Pursuant to the sale and purchase agreement dated 25 August 2015 referred to in item (a) of the section headed "B. Further Information about the business – 1. Summary of material contracts" in this appendix, our Company

agreed to acquire (1) from ChongBo Mary 850 ordinary shares and from Tong Xing Holding 150 ordinary shares of US$1 each in the share capital of SL Far East; (2) from ChongBo Mary 850 ordinary shares and from Tong Xing Holding 150 ordinary shares of US$1 each in the share capital of Snow Leopard Technology, and; (3) from ChongBo Mary 850 ordinary shares and from Tong Xing Holding 150 ordinary shares of Golden Maxim, representing the entire issued share capital of SL Far East, Snow Leopard Technology and Golden Maxim respectively and in consideration, (i) the 8,500 nil paid Shares and 1,500 nil paid Shares held by ChongBo Mary and Tong Xing Holding, respectively, were credited as fully paid at par; (ii) and, in aggregate, 8,500 Shares and 1,500 Shares, all credited as fully paid at par, were allotted and issued to ChongBo Mary and Tong Xing Holding, respectively.

Immediately after completion of the share transfer referred to in item (d) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report of our Company, the text of which is set out in Appendix I to this Prospectus.

Save as disclosed in the paragraphs headed "A. Further Information about our Company – 4. Corporate reorganisation" in this appendix and in the section headed "History, Development and Reorganisation" in this Prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this Prospectus.

6. Repurchase of Shares by our Company

This section contains information required by the Stock Exchange to be included in this Prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 17 June 2016, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of 1,000,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Placing, our Directors would be authorised under the Repurchase Mandate to repurchase up to 100,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this Prospectus and are or may be material in relation to the business of our Company taken as a whole:

(a) a sale and purchase agreement dated 25 August 2015 entered into among our Company, ChongBo Mary, Tong Xing Holding, Ms. Li and Mr. Tong, pursuant to which our Company agreed to acquire (1) from ChongBo Mary 850 ordinary shares and from Tong Xing Holding 150 ordinary shares of US$1 each in the share capital of SL Far East; (2) from ChongBo Mary 850 ordinary shares and from Tong Xing Holding 150 ordinary shares of US$1 each in the share capital of Snow Leopard Technology; and (3) from ChongBo Mary 850 ordinary shares and from Tong Xing Holding 150 ordinary shares of US$1 each in the share capital of Golden Maxim, representing the entire issued share capital of SL Far East, Snow Leopard Technology and Golden Maxim respectively, and in consideration, (i) the 8,500 nil paid Shares and 1,500 nil paid Shares then held by ChongBo Mary and Tong Xing Holding, respectively, were credited as fully paid at par, and (ii) in aggregate, 8,500 Shares and 1,500 Shares, all credited as fully paid at par, were allotted and issued to ChongBo Mary and Tong Xing Holding, respectively;

(b) an instrument of transfer dated 25 August 2015 entered into between our Company and ChongBo Mary for the transfer of 850 ordinary shares of US$1 in the share capital of SL Far East as referred to in item (a) above;

(c) an instrument of transfer dated 25 August 2015 entered into between our Company and Tong Xing Holding for the transfer of 150 ordinary shares of US$1 each in the share capital of SL Far East as referred to in item (a) above;

(d) an instrument of transfer dated 25 August 2015 entered into between our Company and ChongBo Mary for the transfer of 850 ordinary shares of US$1 in the share capital of Snow Leopard Technology as referred to in item (a) above;

(e) an instrument of transfer dated 25 August 2015 entered into between our Company and Tong Xing Holding for the transfer of 150 ordinary shares of US$1 each in the share capital of Snow Leopard Technology as referred to in item (a) above;

(f) an instrument of transfer dated 25 August 2015 entered into between our Company and ChongBo Mary for the transfer of 850 ordinary shares of US$1 each in the share capital of Golden Maxim as referred to in item (a) above;

(g) an instrument of transfer dated 25 August 2015 entered into between our Company and Tong Xing Holding for the transfer of 150 ordinary shares of US$1 each in the share capital of Golden Maxim as referred to in item (a) above;

(h) a trademark transfer agreement in Chinese dated 12 August 2015 entered into between Lao Ren Tou (International) Limited and Larento International (Development), pursuant to which Lao Ren Tou (International) Limited agreed to transfer a trademark registered in the PRC, namely " (registration number 5638070)", to Larento International (Development) at nil consideration;

(i) a trademark transfer agreement in Chinese dated 12 August 2015 entered into between Lao Ren Tou (International) Limited and Larento International (Development), pursuant to which Lao Ren Tou (International) Limited agreed to transfer a trademark registered in the PRC, namely " (registration number 924523)", to Larento International (Development) at nil consideration;

(j) a trademark transfer agreement in Chinese dated 12 August 2015 entered into between Lao Ren Tou (International) Limited and Larento International (Development), pursuant to which Lao Ren Tou (International) Limited agreed to transfer a trademark registered in the PRC, namely " (registration number 724590)", to Larento International (Development) at nil consideration;

(k) a trademark transfer agreement in Chinese dated 12 August 2015 entered into between Lao Ren Tou (International) Limited and Larento International (Development), pursuant to which Lao Ren Tou (International) Limited agreed to transfer a trademark registered in the PRC, namely "CPL (registration number 9737873)", to Larento International (Development) at nil consideration;

(l) a trademark transfer agreement in Chinese dated 12 August 2015 entered into between Lao Ren Tou (International) Limited and Larento International (Development), pursuant to which Lao Ren Tou (International) Limited agreed to transfer a trademark registered in the PRC, namely " (registration number 1335841)", to Larento International (Development) at nil consideration;

(m) the Deeds of Non-competition;

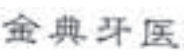
(n) the Deed of Indemnity; and

(o) the Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademarks which we consider are material to our business:

Trademark	Class	Registration number	Effective date	Expiry date	Place of registration	Registrant
	3	3016987	21 October 2013	20 October 2023	PRC	Jiangsu Snow Leopard
	3	1904832	7 November 2012	6 November 2022	PRC	Jiangsu Snow Leopard
	3	1904924	7 November 2012	6 November 2022	PRC	Jiangsu Snow Leopard
	3	6412691	28 March 2010	27 March 2020	PRC	Jiangsu Snow Leopard
	3	9735964	14 September 2012	13 September 2022	PRC	Jiangsu Snow Leopard
	3	1086885	28 August 2007	27 August 2017	PRC	Jiangsu Snow Leopard
	3	1086888	28 August 2007	27 August 2017	PRC	Jiangsu Snow Leopard
	3	1086895	28 August 2007	27 August 2017	PRC	Jiangsu Snow Leopard

Trademark	Class	Registration number	Effective date	Expiry date	Place of registration	Registrant
嚤嚤	3	920519	28 December 2006	27 December 2016	PRC	Jiangsu Snow Leopard
波司曼	3	1337683	28 November 2009	27 November 2019	PRC	Jiangsu Snow Leopard
FE	5	3016980	21 December 2012	20 December 2022	PRC	Jiangsu Snow Leopard
fe	5	7331007	28 September 2010	27 September 2020	PRC	Jiangsu Snow Leopard
開利	5	1170275	28 April 2008	27 April 2018	PRC	Jiangsu Snow Leopard
fe	10	7331009	14 August 2010	13 August 2020	PRC	Jiangsu Snow Leopard
雪豹·邦仕	21	5425091	14 August 2009	13 August 2019	PRC	Jiangsu Snow Leopard
雪豹	21	6095401	14 January 2010	13 January 2020	PRC	Jiangsu Snow Leopard
金典牙医	21	13932342	14 March 2015	13 March 2025	PRC	Jiangsu Snow Leopard
金典牙医	3	302063475	20 October 2011	19 October 2021	Hong Kong	Jiangsu Snow Leopard
fe牙醫生	3	302063493	20 October 2011	19 October 2021	Hong Kong	Jiangsu Snow Leopard
fe金典牙医	3	302432448	12 November 2012	11 November 2022	Hong Kong	Jiangsu Snow Leopard
fe金典牙醫	3	303221964	3 December 2014	2 December 2024	Hong Kong	Jiangsu Snow Leopard
fe金典	3	303221955	3 December 2014	2 December 2024	Hong Kong	Jiangsu Snow Leopard
復旦FE	3	303029030	11 June 2014	10 June 2024	Hong Kong	Jiangsu Snow Leopard

(b) Trademarks licensed to the Group

	Registrant	Trademark	Registration number	Place of registration	Period of the license granted
1	Lao Ren Tou (International) Limited	老人頭 LARENTO	5638070	PRC	12 August 2015 to 11 August 2018 *(Note)*
2	Lao Ren Tou (International) Limited		924523	PRC	12 August 2015 to 11 August 2018 *(Note)*
3	Lao Ren Tou (International) Limited		724590	PRC	12 August 2015 to 11 August 2018 *(Note)*
4	Lao Ren Tou (International) Limited	CPL	9737873	PRC	12 August 2015 to 11 August 2018 *(Note)*
5	Lao Ren Tou (International) Limited		1335841	PRC	12 August 2015 to 11 August 2018 *(Note)*

Note: The Trademark Licensing Agreements are perpetually renewable, each time for three years, at the option of our Group and are subject to automatic early termination on the date when the transfer of the respective trademark to Larento International (Development) is completed.

Five trademark transfer agreements have been entered into between Lao Ren Tou (International) Limited and Larento International (Development) on 12 August 2015, pursuant to which Lao Ren Tou (International) Limited agreed to transfer each of the trademarks to Larento International (Development) at nil consideration, respectively. For details, please refer to the section headed "Connected Transactions – Trademark Licensing Agreements" in this Prospectus.

As at the Latest Practicable Date, our Group had applied for registration of the following trademark which we consider is material to our business, the registration of which has not yet been approved:

Trademark	Class	Application number	Application date	Place of application	Applicant
	3	16814878	27 April 2015	PRC	Jiangsu Snow Leopard

(c) Patents

As at the Latest Practicable Date, our Group had registered the following patents which we consider are material to our business:

Title of patent	Type of patent	Place of Registration	Patent holder	Patent number	Authorisation Date	Expiry date
Biological complex enzyme toothpaste and preparation method thereof (生物複合酶牙膏及其製備方法)	Invention	PRC	Jiangsu Snow Leopard	201010018111.7	11 January 2012	13 January 2030
Leather long-acting brightening agent and processing method thereof (一種皮革長效光亮劑及其加工方法)	Invention	PRC	Jiangsu Snow Leopard	201110048933.4	26 June 2013	1 March 2031
High-performance nutritious waterproof shoe polish and preparation method thereof (一種高性能滋養防水鞋油及其製備方法)	Invention	PRC	Jiangsu Snow Leopard	201210344732.3	2 April 2014	17 September 2032
Biological complex-enzyme bacteriostatic skin-care hand sanitiser and preparation method thereof (一種生物複合酶抑菌護膚洗手液及其製備方法)	Invention	PRC	Jiangsu Snow Leopard	201210344667.4	9 October 2013	17 September 2032
Moldproof softening and brightening agent for cleaning leather and preparation method thereof (一種皮革清潔防霉柔亮劑及其製備方法)	Invention	PRC	Jiangsu Snow Leopard	201210344637.3	2 April 2014	17 September 2032
Concentrated cleaning agent for outdoor glass (一種濃縮戶外玻璃清潔劑)	Invention	PRC	Jiangsu Snow Leopard	201310509167.6	18 March 2015	24 October 2033
Gel-type pipeline dredge agent and preparation method thereof (一種啫喱型管道疏通劑及其製備方法)	Invention	PRC	Jiangsu Snow Leopard	201310069906.4	29 April 2015	5 March 2033

Title of patent	Type of patent	Place of Registration	Patent holder	Patent number	Authorisation Date	Expiry date
A ceramic tile seam detergent (一種瓷磚接縫清潔劑)	Invention	PRC	Jiangsu Snow Leopard	201310508632.4	1 July 2015	24 October 2033
A washing-free carpet detergent (一種免洗地毯清潔劑)	Invention	PRC	Jiangsu Snow Leopard	201310069907.9	12 August 2015	5 March 2033
A complex lysozyme oral spray agent and preparation method thereof (一種複合溶菌酶口腔噴霧劑及其製備方法)	Invention	PRC	Jiangsu Snow Leopard	201310706843.9	28 October 2015	19 December 2033
Toothpaste, toothbrush and buccal spray set (牙膏牙刷口腔噴霧劑套裝)	Utility model	PRC	Jiangsu Snow Leopard	201020507284.0	16 March 2011	26 August 2020
Detergent set containing biological enzymes (含生物酶的洗滌劑套裝)	Utility model	PRC	Jiangsu Snow Leopard	201120084963.6	18 January 2012	27 March 2021
Shoe polish raw material reaction kettle (一種鞋油原料反應釜)	Utility model	PRC	Jiangsu Snow Leopard	201120259724.X	30 May 2012	21 July 2021

As at the Latest Practicable Date, our Group had applied for registration of the following patents which we consider are material to our business, the registration of which have not yet been approved:

Title of patent	Type of patent	Place of application	Applicant	Application number	Application date
A biological enzyme antibacterial emulsification oil agents (一種生物酶抑菌乳化油污製劑)	Invention	PRC	Jiangsu Snow Leopard	201410695665.9	27 November 2014
A biological lysozyme compound and preparation method thereof (一種生物溶菌酶複合製劑及其製備方法)	Invention	PRC	Jiangsu Snow Leopard	201510192265.0	22 April 2015

(d) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which we consider are material to our business:

Domain name	Registrant	Registration date	Expiry date
goldenclassicbio.com	Jiangsu Snow Leopard	24 August 2015	24 August 2016
laorentou.com.cn	Jiangsu Snow Leopard	29 July 2003	29 July 2016
toothpaste.com.cn	Jiangsu Snow Leopard	13 September 2004	13 September 2016
xb.cn	Jiangsu Snow Leopard	17 March 2003	17 March 2017
xuebao.com.cn	Jiangsu Snow Leopard	20 September 1999	20 September 2016

3. Information about the PRC subsidiaries of our Group

Jiangsu Snow Leopard

Name	Jiangsu Snow Leopard Daily Chemical Co., Ltd.*（江蘇雪豹日化有限公司）
Date of establishment	13 March 2002
Corporate nature	Wholly foreign-owned enterprise
Total registered capital and paid-up registered capital	RMB15,680,000
Attributable effective interest of our Company	100%
Term	From 13 March 2002 to 12 March 2032
Scope of business	Licensed projects: manufacture of chemical products (limited to household disinfection products) (excluding hazardous chemicals that requires industrial manufacturing license for operations)

	General projects: manufacture of chemical products (limited to liquid detergents, leather brightener, shoe polish; toothpaste, synthetic detergents, cosmetics, other household chemical products (only Jiangsu Snow Leopard First Branch is allowed for production), production of plastic products, hardware machinery, hotel amenities, footwear and hats, beddings and garment processing With regard to the project to be approved, the relevant business is entitled to be performed after approval from the competent authorities.
Legal representative	Ms. Li
Shanghai Snow Leopard	
Name	Shanghai Snow Leopard Daily Chemical Co., Ltd.*（上海雪豹日用化學有限公司）
Date of establishment	15 October 1998
Corporate nature	Limited liability company (foreign-invested enterprise corporate-owned)
Total registered capital and paid-up registered capital	RMB1,000,000
Attributable effective interest of our Company	100%
Term	From 15 October 1998 to 14 October 2018
Scope of business	Biological and chemical engineering, detergents, spray products, dry cleaning products (except for hazardous products), packaging materials, art craft (except for patented products), clothings, footwear and hats, knitting and textile, leather goods, plastic products, wholesale of hardware machinery, business advisory (except brokerage service), and interior design.

	With regard to the project to be approved, the relevant business is entitled to be performed after approval from the competent authorities.
Legal representative	Ms. Li

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Placing (without taking account any Shares to be issued upon exercise of any options which may be granted under the Share Option scheme), the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on GEM, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, will be as follows:

(i) Long position in the Shares

Name	Capacity/nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Placing	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Placing
Ms. Li	Interest of a controlled corporation *(Note 1)*	637,500,000	63.75%
Mr. Tong	Interest of a controlled corporation *(Note 2)*	112,500,000	11.25%

Notes:

1. Ms. Li beneficially owns the entire issued share capital of ChongBo Mary. Therefore, Ms. Li is deemed, or taken to be, interested in the Shares held by ChongBo Mary for the purposes of the SFO. Ms. Li is a director of ChongBo Mary.

2. Mr. Tong beneficially owns the entire issued share capital of Tong Xing Holding. Therefore, Mr. Tong is deemed, or taken to be, interested in the Shares held by Tong Xing Holding for the purposes of the SFO. Mr. Tong is a director of Tong Xing Holding.

(ii) Long position in the share of associated corporations

Name of Director	Name of associated corporation	Capacity/ nature	Number of share held/ interested	Percentage of shareholding
Ms. Li	ChongBo Mary	Beneficial owner	1	100%

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the Placing, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

Long position in the Shares

Name	Capacity/nature	Number of Shares held/interested	Percentage of shareholding
ChongBo Mary	Beneficial owner	637,500,000	63.75%
Tong Xing Holding	Beneficial owner	112,500,000	11.25%
Mr. Tong Yu	Interest of spouse *(Note 1)*	637,500,000	63.75%
Ms. Zhang Li	Interest of spouse *(Note 2)*	112,500,000	11.25%

Notes:

1. Mr. Tong Yu is the spouse of Ms. Li. Accordingly Mr. Tong Yu is deemed, or taken to be, interested in all the Shares in which Ms. Li is interested in for the purpose of the SFO. Mr. Tong Yu is the father of Mr. Tong.

2. Ms. Zhang Li is the spouse of Mr. Tong. According, Ms. Zhang Li is deemed, or taken to be, interest in the Shares held by Mr. Tong for the purpose of the SFO.

2. Particulars of service agreements

None of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

(a) The aggregate amount of compensation paid by our Group to our Directors in respect of each of the years ended 31 December 2013, 2014 and 2015 were approximately RMB501,000, RMB567,000 and RMB767,000, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2016 will be approximately RMB631,000.

(c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	HK$
Executive Directors	
Ms. Li	427,699
Mr. Tong	122,200
Ms. Du Yongwei	76,375
Independent non-executive Directors	
Mr. Tang Wai Yau	150,000
Mr. Ye Jingzhong	76,375
Mr. Qian Zaiyang	76,375

(d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

4. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting – Commission and expenses" in this Prospectus, and in the section headed "E. Other Information – 3. Sponsor" in this appendix, none of our Directors or the experts named in the section headed "E. Other Information – 7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this Prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 30 to the Accountants' Report of our Company set out in Appendix I to this Prospectus.

6. Disclaimers

Save as disclosed in this Prospectus:

(a) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the section headed "A. Further information about our Company" in this appendix, and taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Placing, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;

(b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of

the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on GEM;

(c) none of the Directors or the experts named in the section headed "E. Other Information – 6. Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this Prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of the Directors or the experts named in the section headed "E. Other Information – 6. Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;

(e) none of the Directors or the experts named in the section headed "E. Other Information – 6. Qualifications of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the 5 largest customers or the 5 largest suppliers of our Group;

(g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and

(h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 17 June 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	17 June 2016, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"Business Day"	any day on which the Stock Exchange is open for the business of dealing in securities
"Group"	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
"Scheme Period"	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 17 June 2016:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than 5 Business Days, the new issue price shall be used as the closing price for any Business Day falling within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of an offer for the grant of option(s) is HK$1.

(v) Maximum number of Shares

(aa) subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 100,000,000 Shares (or such numbers of Shares as

shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(bb) the 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.

(cc) subject to sub-paragraph (dd) below, our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.

(dd) the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required

under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain core connected persons

(aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective close associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

(aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately before the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

(ii) the deadline for our Company to announce its results for any year, half-year or quarterly period under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee as near as possible the same proportion of the issued share capital of our Company as that to which he/she was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company

give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("**Suspension Date**"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

(aa) the expiry of the period referred to in paragraph (ix) above;

(bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

(cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;

(dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;

(ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) ***Alteration to the Share Option Scheme***

(aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.

(bb) Any alteration to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxiv) ***Termination of the Share Option Scheme***

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) ***Conditions of the Share Option Scheme***

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for the listing of, and permission to deal in 100,000,000 Shares which fall to be issued upon exercise of any options which may be granted under the Share Option Scheme.

As at the date of this Prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

The Indemnifiers have, under the Deed of Indemnity referred to in paragraph (n) of the section headed "B. Further Information about the business – 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company (for itself and as trustee for its subsidiaries) in connection with, amongst others, (a) any liability for Hong Kong estate duty which may be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) on other similar legislation in any part of the world for reason of death of any person and by reason of any transfer of any property to any member of our Group on or before the date on which the Placing becomes unconditional; (b) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Placing becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Placing becomes unconditional; and (c) any penalties claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature imposed on, suffered or incurred by any member of our Group as a result of or in connection with or arising from (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Placing becomes unconditional; or (ii) any non-compliance with applicable laws, rules or regulations by any member of our Group on or before the date on which the Placing becomes unconditional. The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such liability in the audited consolidated accounts of any member of our Group for the Track Record Period; or

(b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Placing becomes unconditional; or

(c) the taxation liability arises in the ordinary course of business of any members of our Group after 31 December 2015 up to and including the date on which the Placing becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirmed that save as disclosed in the section headed "Business – Legal Proceedings" of this Prospectus as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

Sponsor's fees

The fee payable by our Company to the Sponsor to act as sponsor in relation to the Listing is HK$4,680,000, and the Sponsor will be reimbursed for their expenses properly incurred in connection with the Placing.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK$43,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this Prospectus:

Name	Qualifications
First Shanghai Capital Limited	A licensed corporation to engage in type 6 (advising on corporate finance) regulated activity under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
Appleby	Legal adviser as to Cayman Islands law
Beijing DeHeng Law Offices	Registered law firm in the PRC
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Chartered surveyor firm
Chan Chung	Barrister-at-law of Hong Kong
Euromonitor International Limited	Industry consultant

7. Consents of experts

Each of First Shanghai Capital Limited, SHINEWING (HK) CPA Limited, Appleby, Beijing DeHeng Law Offices, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, Mr. Chan Chung and Euromonitor International Limited has given and has not withdrawn its/his written consent to the issue of this Prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his name included herein in the form and context in which they respectively appear.

8. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and

other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. No material adverse change

Save as disclosed in the section headed "Financial Information – No material adverse change" in this Prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 31 December 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the Latest Practicable Date.

11. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Miscellaneous

(a) Save as disclosed in this Prospectus:

(i) within the two years immediately preceding the date of this Prospectus:

(aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and

(cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;

(ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;

(iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this Prospectus;

(v) none of the experts named in the sub-paragraph headed "6. Qualifications of experts" in this Appendix:

(aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or

(bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;

(vi) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

(vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(viii) our Group has no outstanding convertible debt securities; and

(ix) the English text of this Prospectus shall prevail over the Chinese text.

13. Exemption from Companies Ordinance requirements

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided in sections 4 and 5 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the section headed "Appendix V – Statutory and General Information – E. Other Information – 7. Consents of experts" to this Prospectus and copies of the material contracts referred to in the section headed "Appendix V – Statutory and General Information – B. Further Information about the business – 1. Summary of material contracts" to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung at Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the Memorandum and the Articles;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by SHINEWING (HK) CPA Limited, the texts of which are set out in Appendices I and II to this Prospectus;

(c) the property valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this Prospectus;

(d) the Industry Report prepared by Euromonitor International Limited dated the date of this Prospectus;

(e) the letter of advice dated the date of this Prospectus prepared by Appleby summarising certain aspects of Cayman Companies Law referred to in Appendix IV to this Prospectus;

(f) the legal advice dated the date of this Prospectus prepared by our Legal Counsel in relation to various non-compliances of our Group with the Predecessor Companies Ordinance;

(g) the legal opinions dated the date of this Prospectus prepared by our PRC Legal Advisers in relation to (i) various PRC legal issues concerning our Group and (ii) the land use rights, building ownerships, leased properties and property under construction of our Group;

(h) the material contracts referred to in the section headed "Appendix V – Statutory and General Information – B. Further Information about the business – 1. Summary of material contracts" to this Prospectus;

(i) the written consents referred to in the section headed "Appendix V – Statutory and General Information – E. Other Information – 7. Consent of experts" to this Prospectus;

(j) the service contracts and letters of appointment of our Directors referred to in the section headed "Appendix V – Statutory and General Information – C. Further Information about Substantial Shareholders, Directors and Experts – 2. Particulars of service agreements" to this Prospectus;

(k) the Companies Law; and

(l) the rules of the Share Option Scheme.

China Golden Classic Group Limited
中國金典集團有限公司